



Fiscal Year Ended  
June 30, 2019

# Comprehensive Annual



# Financial Report

Botetourt County,  
Virginia



COUNTY OF BOTETOURT, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

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Prepared By:  
Department of Financial Services

COUNTY OF BOTETOURT, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2019

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## INTRODUCTORY SECTION

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#### **Board of Supervisors**

Billy W. Martin, Sr.  
*Chairman*

Donald M. Scothorn  
*Vice Chairman*

Richard G. Bailey

Stephen P. Clinton

I. Ray Sloan

## **Botetourt County, Virginia** *Office of the County Administrator*

November 30, 2019

To the Honorable Board of Supervisors and Citizens of the County of Botetourt, Virginia:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2019.

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Botetourt County for its comprehensive annual financial report for the fiscal year ended June 30, 2018. This was the thirteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must establish an easily readable and efficiently organized comprehensive annual report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Robinson, Farmer, Cox Associates, LLC, Certified Public Accountants, have issued an unmodified ("clean") opinion on the County of Botetourt's financial statements for the year ended June 30, 2019. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A compliments this letter of transmittal and should be read in conjunction with same.

### **Profile of Botetourt County**

The County of Botetourt was founded in 1770 and named for Lord Botetourt, Governor of Virginia. After the Revolutionary War, the County's jurisdiction extended to the Mississippi River, encompassing what is now West Virginia, Kentucky, Ohio, Indiana, and part of Illinois.

Botetourt County is located along Interstate 81, within easy access to Interstate 64, in the west- central portion of Virginia in the Roanoke Valley, between the Blue Ridge and Allegheny Mountains. It is 233 miles southwest of the nation's capital, Washington D.C., 176 miles west of the state capital, Richmond, and is close to the City of Roanoke. Botetourt County consists of 548 square miles and is part of the Roanoke Metropolitan Statistical Area (MSA). The County of Botetourt is a political subdivision of the Commonwealth of Virginia that is administered by a five member Board of Supervisors and has a County Administrator to oversee its general administration.

The County provides a full range of services, including police protection, education, parks and recreation, planning and inspections, general services and utilities, libraries, social services, and general government administration. Local volunteer fire and rescue companies provide fire and rescue protection for the citizens, complemented by paid County supplemental fire and rescue employees. The County provides support to the volunteers through cash contributions for operations and capital expenditures. The Commonwealth of Virginia provides the construction and maintenance of highways, streets, and related infrastructure located within the County.

### Local Economics and Demographics

Based upon the U. S. Census Bureau's 2010 census, Botetourt County's population was 33,148, representing a 9% increase since the 2000 Census. Botetourt County enjoys a diverse economy, with the services sector accounting for 40% of the jobs in the County, manufacturing 18%, trade 20%, government 14%, construction 6%, and all others 2%. The civilian labor force totals approximately 17,512 (June 2019). With regard to the County domiciled workforce, roughly 25% work for the County's top twenty employers. Unemployment remains below the State average.

With respect to demographics relating to economic factors, Botetourt County seemingly appeals to higher income residents, as evidenced by a median household income figure of \$59,441, which is above the state average and ranks first in a comparison to six other surrounding localities. This ranking also holds true for the home ownership rate (87%), which is well above the state's average of 69%. Yet again, the median housing value in the County (\$189,900) places first as compared locally and is below the state average of \$247,100. These figures are as of the 2010 U.S. Census.

Botetourt County compares favorably to most Virginia counties economically in the area of fiscal stress, as reported by the Virginia Commission on Local Government. This agency has developed a composite fiscal stress index, which takes into consideration each locality's revenue capacity per capita, the revenue effort, and the magnitude of median adjusted gross income for individuals and married couples. The County's composite index falls into the classification "Below Average Stress", and within a short reach of "Low Stress" for the most recent period reported (2017). The County's ranking was 103 out of 133 localities, placing Botetourt County in the lower 25% quartile. This is an indication that on a comparable basis, Botetourt County and its residents continue to experience a relatively low level of fiscal strain, which adds to quality of life in the County for its citizens, and indicates responsible management of the County's financial activities.



The County's Comprehensive Plan provides the framework for managing growth, along with proper zoning and subdivision ordinances. The most recent Comprehensive Plan was updated in FY17. With respect to building activity, FY19 building permit activity for residential and commercial construction approximated FY18 results in terms of number of permits (FY19 = 469, FY18 = 471). In terms of total dollar value, FY19's total figure of \$78.9 million was 16% greater than FY18's figure, and FY19's permit dollar value was 68% greater than the 3 year average value from FY16 to FY18.

With respect to residential building construction, FY19's average permit value (\$214,000) decreased 3% vs. FY18 and the average value was 6% less than the previous three year average. This was the seventh consecutive year that average residential permit values exceeded \$200,000. In reviewing permit applications for FY19, residential growth is being experienced in all districts of the County, and the number of FY19 permit applications (118) is the highest amount since FY07. The total value of FY19 residential permit applications totaled \$25.3 million, which is also the highest level since FY07.

Regarding commercial construction, FY19's number of permits (121) were 49% greater than FY18 permits (81). However, the average value was 21% less than the average value for FY19. Total FY19 commercial permit value (\$45.8 million) was two (2) times greater than the previous three year average. There were several large FY19 commercial permits / applications, including permit applications for five multi-unit apartment buildings located in Daleville.

### Economic Development

Economic development activity for Botetourt County during FY18 and leading into FY19 continued the growth and momentum trend in the community. Specifically:

- There was a groundbreaking ceremony in October 2017 for the Botetourt Family YMCA in Daleville Town Center. This 45,000 square foot project will include swimming and therapeutic pools, exercise studios, a basketball court, state-of-the art wellness equipment and amenities that will enhance community health and wellness. The \$10 million facility, which was supported by a successful fund-raising drive, opened in January, 2019.
- Arkay Packaging, located in EastPark, announced in February 2016 a \$15 million investment in equipment and will add fifty (50) jobs within 5 years. To date, the capital investment has been completed, and job creation is ongoing.
- Headquartered in Italy, ELDOR Corporation, an ignition coil and automotive component manufacturer, announced in March 2016 the location of its first North America manufacturing facility at Botetourt Center at Greenfield. The announcement involves a new private investment of \$75.2 million and the creation of 350 jobs during the first five years of operation (Phase 1). During summer 2017, construction commenced on the 280,000 square foot facility, which was completed during 2018. Production commenced in early 2018. Job creation is on schedule.
- In May 2016, San Diego-based Ballast Point Brewing and Spirits announced its decision to locate its first East Coast production facility at the Botetourt County at Greenfield.

The announcement involves new private investment of \$47.8 million and the creation of 178 jobs as well as purchasing an existing building and placing it back into manufacturing vs. distribution use. The restaurant opened in June 2017, and brewing began in 2017 as well.

- The Virginia Community College System (VCCS) announced in July 2016 its decision to locate a shared services center in Botetourt County at the former Lumos headquarters building. While the announcement does not involve new private taxable investment, the project will bring 190 jobs to the community. VCCS is currently making strides in adding to its employment base, as approximately one-half of the jobs target has been hired.
- In December 2016, Canadian-headquartered Canatal Steel USA, manufacturer of steel structures, announced an expansion of 38 jobs and an investment of \$1.5 million. The company relies heavily on welders and fitters and multiple positions have been supplied by the Botetourt Technical Education Center's American Welding Society (AWS) welding lab.
- In October 2017, Altec Industries announced a \$30.2 million and 180 job expansion at its existing facility at the Botetourt Center at Greenfield. Altec manufactures hydraulic lift trucks for the electric utility and construction industry sectors and is a global leader in this market.
- Australian-based Pratt Industries acquired the shell building at the Botetourt Center at Greenfield in March 2019, including a capital investment of \$25 million and the creation of 50 jobs. The privately-held company manufactures 100% recycled paper products and has slated its Botetourt facility for the conversion of cardboard products for end-user customers.
- Mexico-based Metalsa announced a 25 job and \$6.4 million capital investment expansion in June 2019. Then company located to Botetourt County in 1995 and currently employs 230 workers. Metalsa manufactures truck rails and serves approximately one-fourth of the domestic truck market.

Economic development announcements in Botetourt County from 2016 to June 30, 2019 accounted for 1,061 new jobs and \$196,555,450 in capital investment. Total annual payroll for the 1,061 announced jobs equals over \$40 million, of which to date approximately \$20 million in annual payroll has occurred in the community. Total capital investments that have become taxable by the County during the same period of time equal \$162,615,658, or 83% of capital investment announced from 2016 to June 30, 2019.

### Public School System

The Botetourt County School System is composed of seven elementary schools serving students in grades kindergarten through fifth grade; two middle schools serving grades six through eight; two high schools serving grades nine through twelve; and a vocational technical school. All schools are accredited by the Virginia State Board of Education. March ADM enrollment over the last three years has averaged 4,547 and has been on a consistent decline since FY2011-2012. However, the most recent enrollment figure of 4,540 approximates the prior year figure (4,548). With respect to academic achievement, the Virginia Department of Education released its listing of public schools that are fully accredited based on achievement results during 2018-2019. All of Botetourt County's public schools comprising its school division were fully accredited. Another notable achievement was the 2018-2019 on-time graduation rates. This rate measures how many students earn a Virginia Board of Education diploma in four years. Botetourt County's on-time graduation rate of 95.3% (Class of 2019, Four Year Rate) was exceptional and well above the state average of 91.5%. In addition, a Botetourt County Public School (James River High) earned the Virginia Board of Education Distinguished Achievement Award for the most recently completed school year. In 2019.

The County's CTE (Career and Technical Education) Program is a flourishing career-oriented program that begins its foundation with the use of an Academic Career Plan, which receives updates and follows the students through their middle school years. This is a credentialing initiative for high school students that has grown significantly, including workplace readiness skills that focus on personal, professional, and technology knowledge and skills. A Mechatronic Program offering makes BTEC the first secondary school to offer a mechatronic engineering program for high school students. In May 2019 BTEC held its first Career Signing Day, as fifteen students signed offers with eleven different companies, moving from BTEC School To Work and apprenticeship programs to full time employment.

The County's schools offer Regional Academy Programs that allow high school students to explore post-secondary specialized programs of study in high demand career fields. These programs are affiliated with Virginia Western Community College (VWCC). Students meet daily on the VWCC campus and are enrolled in courses that meet the foundational requirements for degree programs often while completing a VWCC Career Studies Certificate or industry credentialing examinations. Programs offered include Engineering, Mechatronics, and Interdisciplinary and Health Sciences. High School students also have the option of taking dual enrollment courses at VWCC or at Dabney S. Lancaster Community College.

As for school facilities, there is also a \$22.5 million school construction project financed through VPSA (Virginia Public School Authority) for replacement of the aged existing Colonial Elementary School which will take place at a new site in the County. A ground breaking ceremony was held in August 2019. The targeted project completion date is Fall 2020.

The County's School Board places a high value on continuing education and use of management practices to increase the skill level and teaching proficiency of its professional teaching base. The County school system continues to be a valuable element in efforts to attract and retain quality business concerns and providing those businesses with an educated and skilled employment base.

### Higher Education

Two community colleges offer a wide spectrum of education for numerous degrees, as well as adult education programs. In addition, the community colleges operate an in-County education and training center, which supports workforce training for businesses and residents. The County, along with five other regional localities, participates in a CCAP (Community College Access Program) initiative through Virginia Western Community College (VWCC). This program makes attending college a reality for a selected, qualified group of public school students that have financial challenges. Also, Virginia Western Community College completed construction of its \$37 million investment in the form of a STEM Building. The building's size is 72,000 square feet, and is the largest building on campus. It will house engineering fabrication, mechatronics, computer science, organic chemistry and microbiology labs and other features promoting STEM learning, including new cutting-edge equipment.

Dabney S. Lancaster Community College (DSLCC) also plays a role in preparing students for career jobs in Botetourt County, as its Promise Program helps to strengthen the local workforce by providing tuition assistance to as many students as possible, based on need and available funding. DSLCC also has a welding certificate program (an 80 hour Flux Core Arc Welding course), and this offering and the resulting certified students assist in meeting the job market requirements for those specific skills required by County businesses.

These community colleges are presenting viable alternatives to four-year institutions and continue to experience increases in attendance. There are also numerous four-year colleges in the near vicinity of Botetourt County including Virginia Tech.

## Long-Term Financial Planning and Policies

With respect to long-term financial planning, Botetourt County utilized a five-year capital improvement plan for the Primary Government and its related components. This tool assists in identifying potential funding requirements on the horizon for capital spending and associated operating costs. Consideration for future levels of revenues and expenditures is an element in the annual budget process and assists in the projection of fund balance levels for the current budget year and for outgoing years as well.

The County's financial policies play a significant role in the development of the annual budget and consideration of ongoing operations. A Fund Balance Policy is utilized to assist in determining the ability to adequately cover proposed budgeted expenditures as well as identifying proper levels of unassigned fund balance. Strategic use of this policy is part of the annual budget process and is used to assist in right-sizing budgeted expenditures given certain levels of projected revenues.

## Major Initiatives and Goals

In 2019, the Botetourt County Board of Supervisors made a decision to enhance their long-term planning outlook with a strategic planning process. In March 2019, the Board attended a strategic planning retreat, and then adopted an updated Vision Statement in April 2019 sub-titled "Botetourt 2045 Vision: Honoring Our History, Enjoying the Present and Shaping the Future". Key elements contained in the Vision Statement are as follows:

*Thriving Business Environment*  
*Agricultural Innovation*  
*The Gateway Center*  
*Botetourt Awesome*  
*Public Service Leadership & Engagement*  
*Lifelong Learning Excellence*

*Worldwide Connectivity*  
*Smart Growth & Conservation*  
*Celebrating Our Unique History & Heritage*

In June 2019, strategic planning work sessions were held with various levels of County staff in attendance. These work sessions assisted in developing work plans to begin implementing the goals identified for each of the 9 key elements. An update of the process was to be presented to the Board of Supervisors at the November 2019 regular monthly meeting.

## Current and Future Initiatives

The Virginia Department of Transportation has completed its work on the Interstate 81, Exit 150 and Gateway Crossing project. This will improve access to the crossroads of the County and provide opportunities for new investment.

VDOT had begun work on improving US 220 north of Eagle Rock in 2017. The multi-year project will provide safety enhancements and bridge replacements along the stretch of road between Eagle Rock and Iron Gate.

Internally, with respect to the Exit 150 project, the Department of Community Development continues to identify opportunities to promote and enhance the growth and development of the area around the interchange. In November 2016, the Board of Supervisors established the Urban Development Areas (UDAs) at Exit 150 and in Daleville in order to assist with the planning efforts of those areas. UDA's are included in the County's Comprehensive Plan.

Recognizing that there is a distinct need for expanding internet broadband communication capability in the County, the Botetourt County Broadband Advisory Commission was established in 2018. In September 2018 a two day Rural Broadband Technology Solutions Summit was held at the Greenfield Education and Training Center. There were 100 participants and 40 speakers that had experience in the legal, economic, and financial issues that must be addressed in order to place and expand high-speed internet service to rural portions of a community. The summit brought together providers, distributors, equipment manufacturers, consultants, and political representatives from the surrounding areas. A consultant was hired to bring focus and move the project forward. There are currently two broadband projects that have received approval for Virginia Telecommunications Initiative (VATI) grant funding. The first is the Botetourt Broadband 2019 Project, which includes VATI grant funding of \$758,998 and is a project that will provide enhanced internet services to Craig-Botetourt Electrical Cooperative (CBEC) customers that will include other funding from CBEC and the County. The second broadband project is the Botetourt County / LUMOS Broadband Expansion 2020 Project, which will receive \$2,008,939 of VATI grant funding and will provide expanded telecommunication services to LUMOS customers, with LUMOS and the County providing other funding.

With respect to planned capital improvement projects (CIP), the FY20 County budget is heavily invested in General Government, Maintenance, Waste Management, Technology Services and Community and Economic Development projects. The largest component of the \$2.2 million CIP Budget is reflected in the Maintenance portion (\$705,000), as this largest component is 32% of the total CIP budget, and includes \$500,000 for the first year of a multi-year plan for the County's Circuit Courthouse Renovation project. There is also \$353,000 for Technology Services and \$350,000 for Community and Economic Development functions. In addition, \$300,000 has been allocated to Waste Management and \$250,000 for General Government, the latter being apportioned for a comprehensive facility master plan to provide options and direction for use of current County buildings and planning for future facilities. The balance of funding (\$229,000) is spread among Public Safety, Libraries, and Recreation and Facilities.

The County's Recreation & Facilities Department plays a significant role in making Botetourt County an attractive place to visit and live. The Department connects people to scenic rivers, hiking and wine trails, youth sports, NCAA Softball, and many other activities for people of all ages.

FY18/19 Recreation highlights included:

- The entire 45-mile stretch of the James River now has the Scenic River Destination, subject to action by the Virginia General Assembly. The County purchased a 4 acre tract it had previously leased that will further enhance the Gala Boat Access point.
- Botetourt County was accepted into the Roanoke Valley Greenway Commission in FY16 and is actively planning future greenway routes including Daleville and Tinker Creek.
- Participation in active and passive recreation programs continues to increase. FY19 activities resulted in an increase of 281 youths. The highly acclaimed Greenfield Disc Golf Course is meeting the needs of local residents and through tournaments and everyday play is bringing people to Botetourt County from other localities and states. The course has been designated a Virginia Treasure by the Virginia Secretary of Nature.
- The Botetourt Sports Complex continues to represent the County as a first-class destination site for regional and national softball tournaments. The County has just completed its thirteenth year of operations. Twenty-three (23) events were scheduled at the Complex for 2019.

Finally, Botetourt County continues to maintain AA bond ratings with all three rating agencies - Fitch Ratings, Moody's, and Standard & Poor's. Currently, Botetourt County remains the highest rated county in Virginia for its population size. It is believed that these ratings reflect proper, continued executive management, support staff, and financial practices which will assist the County to move forward and meet future fiscal challenges.

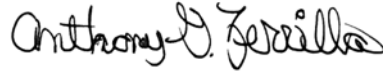
## Acknowledgements

The preparation of this annual financial report could not have been accomplished without the dedicated effort of both the County and School administration and their respective staffs. In addition, sincere thanks to the Board of Supervisors for their leadership and support.

Respectfully submitted,



Gary Larrowe  
County Administrator



Anthony G. Zerrilla  
Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

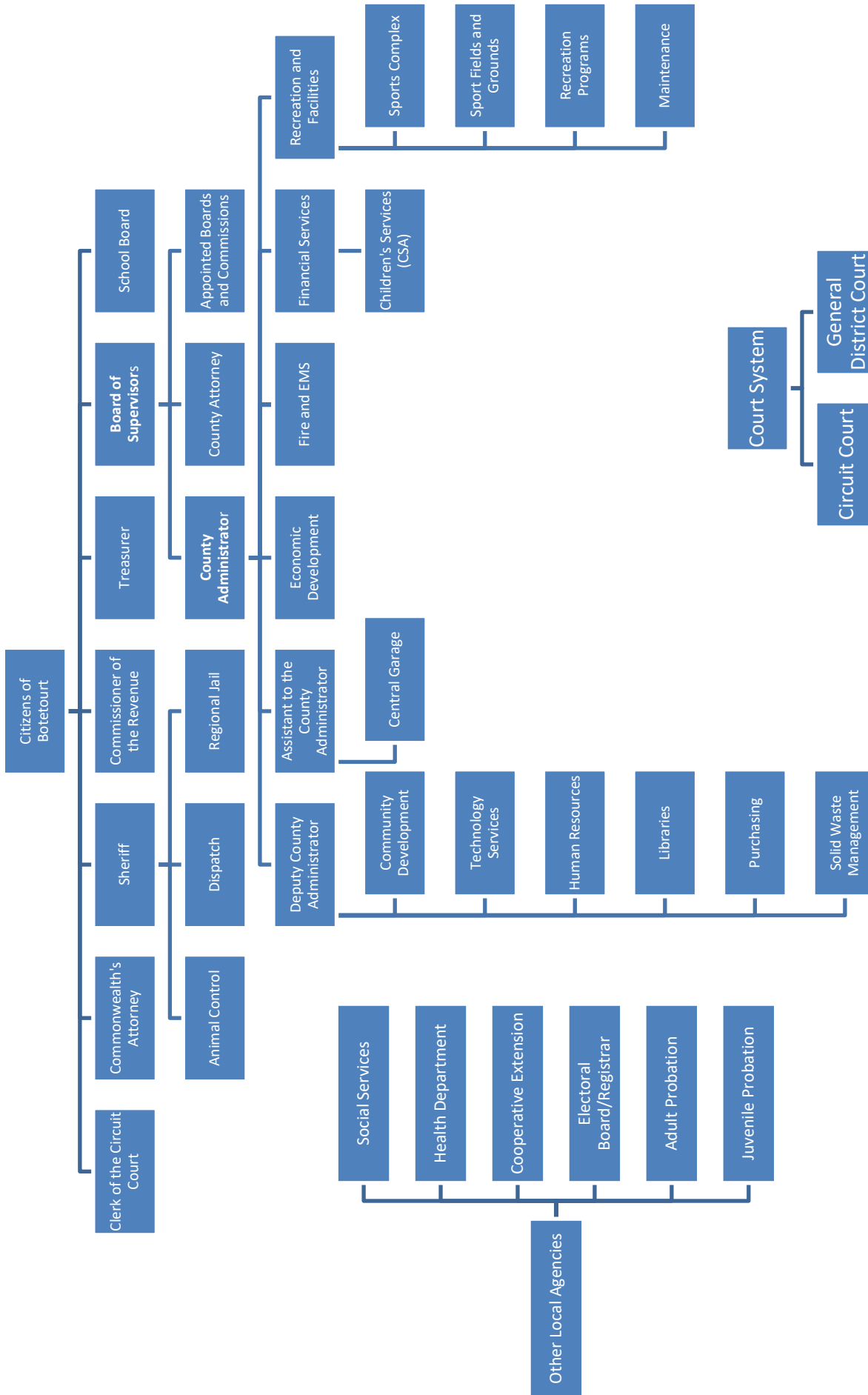
**County of Botetourt  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO



Botetourt County Organization Chart

Updated October 2018



## COUNTY OF BOTETOURT, VIRGINIA

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### BOARD OF SUPERVISORS

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Billy W. Martin, Sr., Chair	
Donald M. "Mac" Scothorn, Vice Chair	Richard G. Bailey
Stephen P. Clinton	I. Ray Sloan

### COUNTY SCHOOL BOARD

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Michelle Crook, Chair	
D. Scott Swortzel, Vice Chair	John Alderson
Michael Beahm	Anna Weddle

### SOCIAL SERVICES BOARD

---

William Burleson, Chair	
Joseph Obenshain, Vice Chair	Billy W. Martin, Sr.
Lee Minnix	Betty Painter

### OTHER OFFICIALS

---

Judge of the Circuit Court .....	Joel R. Branscom
Clerk of the Circuit Court .....	Tommy L. Moore
Judge of the General District Court .....	W. Chapman Goodwin
Judge of the Juvenile & Domestic Relations Court .....	Paul A. Tucker
Commonwealth's Attorney .....	John Alexander
Commissioner of the Revenue .....	Rodney Spickard
Treasurer .....	William P. Arney
Sheriff .....	Ronald N. Sprinkle
Superintendent of Schools .....	John Busher
Director of Social Services .....	Susan Goad
County Administrator .....	Gary Larowe
County Attorney .....	Michael W. S. Lockaby

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## FINANCIAL SECTION

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Independent Auditors' Report

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The Honorable Members of the Board of Supervisors  
County of Botetourt, Virginia  
Fincastle, Virginia

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Botetourt, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Botetourt, Virginia, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Change in Accounting Principle*

As described in Note 30 to the financial statements, in 2019, the County of Botetourt, Virginia adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 15-31, 125-127, and 128-142 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Supplementary and Other Information*

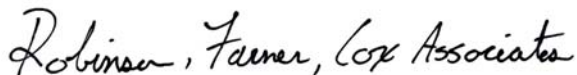
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Botetourt, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2019, on our consideration of the County of Botetourt, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Botetourt, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Botetourt, Virginia's internal control over financial reporting and compliance.



Blacksburg, Virginia  
November 19, 2019

## Management's Discussion and Analysis

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The following is a narrative overview and analysis of the financial activities of the County of Botetourt, Virginia for the fiscal year ended June 30, 2019. This narrative is included to provide insights as to financial results of operations for the above-mentioned fiscal year, and, in certain cases, provide comparative comments as they relate to the prior fiscal year. In addition, comments are included which address the economic factors considered in developing Botetourt County's budget for the fiscal year ending June 30, 2020.

### Financial Highlights

#### Government-wide Financial Statements

The assets and deferred outflows of the County of Botetourt, Virginia exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$55,671,757 (net position). Of this amount, \$16,050,665 is unrestricted and may be used to meet the government's ongoing obligations to creditors and citizens. The School Board's net position was a deficit of \$31,862,656 (See Exhibit 1); the deficit position is due primarily to the recording of a net pension liability in accordance with Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The amount of the net pension liability recorded in FY18 for the School Board was \$43,312,433, which decreased to \$40,211,203 for FY19 (see Note 9).

The Government's FY19 net position for governmental activities increased by \$8,028,044, as revenues exceeded expenses by 13%. While General and Program Revenues increased \$7.8 million (13%), net expenses decreased \$50,429, or less than 1%. Revenues increased \$3.3 million due to increases in Restricted Operating Grants, General Property Taxes, and Revenues from the Use of Money and Property. In addition, net position increased \$3.1 million due to a gain on the transfer of landfill rights, as the County entered into an agreement with County Waste, a provider of trash, recycling and related services to operate the Botetourt County landfill. Net Expenses remained approximately the same as FY18, as increases in nearly all County functional areas were offset by a reduction in Education expense.

The School Board's FY19 net position resulted in an increase of \$1,828,435. Revenues exceeded net expenses due in part to an increase in both restricted and unrestricted Operating Grants and Contributions.

#### Fund Financial Statements

At the end of the current fiscal year, fund balance for the general fund was \$50,055,322 or 74% of total general fund expenditures (See Exhibit 5). This amount includes taxes and accounts receivable reflected in the fiscal year 2019 budget as well as funds allocated to the School Board and County capital improvement projects for fiscal year 2019.

As of the close of the current fiscal year, the County's governmental fund reported an ending fund balance of \$50,055,322, which is an increase of \$215,416 versus ending fund balance of \$49,839,906 for fiscal year ended June 30, 2018. The FY19 Budget was a balanced budget. Continued revenue growth slightly outpaced expenditures, provided for the opportunity for the relatively small increase in fund balance. The unassigned portion of fund balance is \$26,793,545, which is 53.5% of total fund balance at 6/30/19. (See Exhibit 3). The unassigned portion of fund balance increased \$1.3 million (5%).

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. These statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Local government accounting and financial reporting originally focused on funds, which are designed to enhance and demonstrate fiscal accountability. Now accompanied by government-wide financial statements, the objective of operational accountability will also be met. These objectives will provide financial statement users with justification from the government that A) public monies have been used to comply with public decisions and B) whether operating objectives have been met efficiently and effectively and can continue to be met in the future.

### Government-wide Financial Statements

Government-wide financial statements provide financial statement users with a general overview of County finances. The statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting. All current year revenues and expenses are taken into account regardless of when cash is received or paid. Both the financial overview and accrual accounting factors are used in the preparation of these financial statements in a manner similar to a private-sector business. Two financial statements are used to present this information: 1) the statement of net position and 2) the statement of activities.

The statement of net position presents all of the County's permanent accounts or assets, deferred outflows, liabilities, deferred inflows and net position. The difference between assets and deferred outflows and liabilities and deferred inflows is reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Other non-financial factors will also need to be considered to determine the overall financial position of the County.

The statement of activities presents information showing how the government's net position changed during the fiscal year. The statement is focused on the gross and net cost of various government functions, which are supported by general tax and other revenues. The statement of activities presents expenses before revenues, emphasizing that in government, revenues are generated for the express purpose of providing services rather than as an end to themselves.

Both government-wide financial statements separate governmental activities and business-type activities of the County. Governmental activities are principally supported by taxes and intergovernmental revenues. They include general government administration; judicial administration; public safety; public works; health and welfare; parks, recreation and cultural; and community development. Business-type activities recover all or a significant portion of their costs through user fees and charges. Effective July 1, 2015 (FY16) the County sold its interest in the Water and Sewer Enterprise Fund, which in previous years showed as a business-type activity.

The government-wide financial statements include, in addition to the primary government or County, two component units: 1) the Botetourt County School Board and 2) the Economic Development Authority of Botetourt County. Although the component units are legally separate entities, the County is accountable or financially accountable for them. A primary government is accountable for an organization if the primary government

## Management's Discussion and Analysis

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appoints a majority of the organization's governing body. Further, a primary government is financially accountable if, in addition, either the government is able to impose its will on the organization or the organization is capable of imposing specific financial burdens on the primary government. For example, the primary government may approve debt issuances, rate structures, and/or provide significant funding for operations of the component unit. The latter is the case for Botetourt County for the School Board.

### Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The County's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### Governmental funds

Governmental funds are used to account for essentially the same functions, or services, reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements, a reconciliation between the two methods is provided on the exhibits following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

### Proprietary funds

There are two types of proprietary funds: enterprise funds which are established to account for the delivery of goods and services to the general public and internal service funds which account for the delivery of goods and services to other departments or agencies of the government. Proprietary funds use accrual basis accounting, similar to private sector business.

### Fiduciary funds

Fiduciary funds account for assets held by the government as a trustee or agent for another organization or individual. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide financial statement because the funds are not available to support the County's own activities. A separate Statement of Fiduciary Net Position (Exhibit 10) is provided in the report.

### Notes to the financial statements

The notes provide additional information that is needed to fully understand the data provided in the government-wide and fund financial statements.



## Management's Discussion and Analysis

### Government-wide Financial Analysis

As previously noted, net position may serve as a useful indicator of a government's financial position. For the County of Botetourt, assets and deferred outflows exceeded liabilities and deferred inflows by \$55,671,757 at the end of the fiscal year. The County's net position is divided into three categories: (1) net investment in capital assets; (2) restricted; and (3) unrestricted.

County of Botetourt's Net Position			
	Governmental activities		
	2019	2018	
Current and other assets	\$ 55,962,637	\$ 56,295,475	
Capital assets	63,132,235	62,322,130	
Total assets	<u>119,094,872</u>	<u>118,617,605</u>	
Deferred outflows of resources	\$ 1,828,412	\$ 1,881,948	
Long-term liabilities	\$ 57,332,114	\$ 65,236,960	
Other liabilities	5,082,796	5,347,241	
Total liabilities	<u>\$ 62,414,910</u>	<u>\$ 70,584,201</u>	
Deferred inflows of resources	\$ 2,836,617	\$ 2,271,639	
Net position:			
Net investment in capital assets	\$ 39,027,489	\$ 36,914,554	
Restricted	593,603	430,509	
Unrestricted	16,050,665	10,298,650	
Total net position	<u>\$ 55,671,757</u>	<u>\$ 47,643,713</u>	

For the County's governmental activities, investment in capital assets (i.e., land, buildings, machinery, and equipment), net of related debt used to acquire those assets that is still outstanding, represents 70% of total net position. The County uses these capital assets to provide services to citizens; therefore, the assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position represents resources that are subject to external restrictions on how they may be used. For governmental activities, these assets (\$593,603) represent 1% of total net position. The remaining balance of unrestricted net position, which is \$16,050,665 or 29% of total net position, may be used to meet the government's ongoing obligations to citizens and creditors.

## Management's Discussion and Analysis

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During the current fiscal year, the government's net position increased \$8,028,044 (17%). Total assets and deferred outflows increased \$423,471 (less than 1%) due to a \$1.4 million (5%) increase in combined unrestricted cash and cash equivalents and investments.

With respect to total liabilities and deferred inflows, there was a \$7,604,313 (10%) decrease due to a \$7.9 million (12%) decrease in long-term liabilities. This was primarily due to a) a \$2 million (4%) scheduled pay down of General Obligation Bonds, b) a \$2 million (79%) decrease in Net pension liability due to a significant difference in expected versus actual experience, and c) the County's estimated landfill closure / post-closure liability decreased \$2.8 million (47%). This was due to an agreement whereby waste and recycling service provider County Waste assumed operations of the County landfill. In doing so, it was agreed that County Waste would assume the landfill's associated closure costs. Net investment in capital assets increased by approximately \$2.1 million (6%) which is primarily related to a reduction in asset related debt and a net increase of \$810,000 (1%) in capital assets.

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## Management's Discussion and Analysis

### Changes in Net Position:

The following tables present the revenues and expenses of the Governmental and Business-type Activities. Following the table is a brief discussion on key elements of the changes in net position.

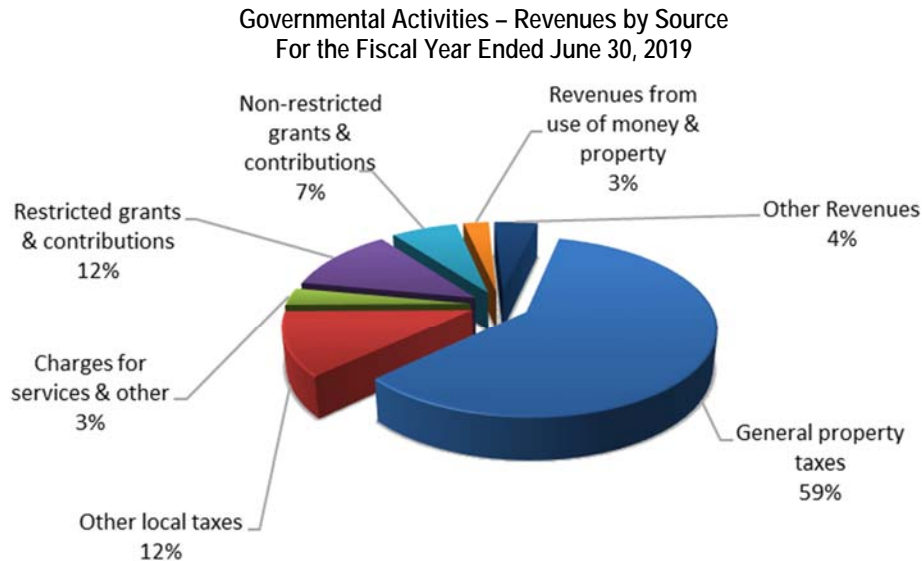
County of Botetourt's Changes in Net Position		
	Governmental activities	
	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,474,387	\$ 1,155,177
Operating grants & contributions	8,129,008	6,904,529
General revenues:		
General property taxes	40,970,422	39,698,191
Other local taxes	8,099,174	7,535,122
Use of money and property	1,787,364	959,680
Other	729,999	185,589
Grants and contributions not restricted to specific programs	4,673,792	4,695,818
Special item - Gain on Transfer of landfill rights	3,059,966	-
Total revenues	<u>\$ 68,924,112</u>	<u>\$ 61,134,106</u>
Expenses:		
General government	\$ 3,850,532	\$ 3,271,312
Judicial administration	1,433,388	1,387,205
Public safety	15,568,648	14,814,140
Public works	2,105,297	1,844,947
Health and welfare	3,612,811	3,521,856
Education	25,471,753	29,253,247
Parks, recreation and cultural	3,045,560	2,850,232
Community development	3,926,147	2,432,431
Interest on long-term debt	1,881,932	1,571,127
Total expense	<u>\$ 60,896,068</u>	<u>\$ 60,946,497</u>
Increase (decrease) in net position	\$ 8,028,044	\$ 187,609
Net position, beginning	47,643,713	47,456,104
Net position, ending	<u>\$ 55,671,757</u>	<u>\$ 47,643,713</u>

## Management's Discussion and Analysis

### Governmental Activities

Governmental activities increased the County's net position by \$8,028,044. Key elements relating to FY19 activities as compared to the prior year (FY18) will be discussed below.

The following chart provides a breakdown of the various FY19 revenue components. The largest source is general property taxes (\$41 million), which accounts for 59% of total governmental revenues (\$68.9 million).



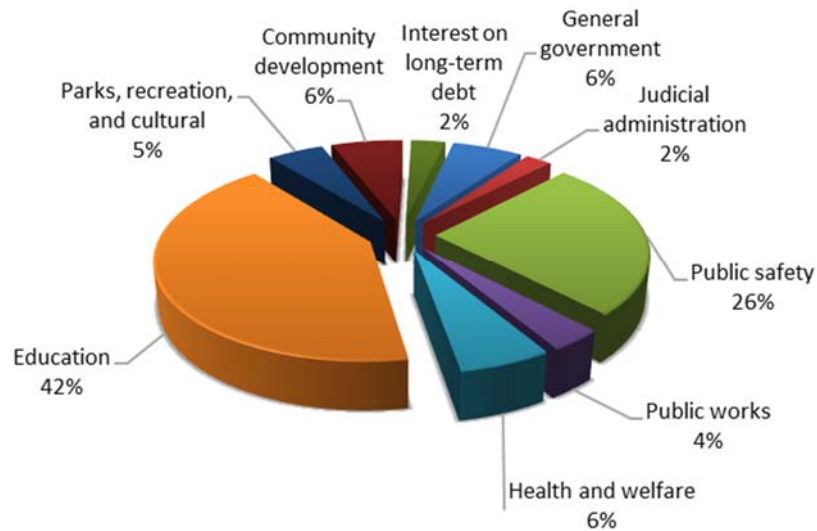
- Revenues: General property taxes increased \$1.3 million (3%). The largest contributor to this increase was Public Service Corporation taxes, which increased \$350,000 (12%) due primarily to an multi-year electric utility project. Personal Property Taxes increased \$313,000 (5%) as a result of growth and related vehicle values. Real Property taxes increased \$305,000 (1%) as a result of real growth. Machinery & Tools taxes increased \$282,000 (8%) due to an increase in reported values.
- Revenues: Revenues from the use of money and property increased \$828,000 (86%) due primarily to increased investment and deposit balances and the continuation of improved rates of return on those funds.
- Revenues: Operating Grants and Contributions increased \$1.2 million (18%) due primarily to receipt of \$1 million in community development grant funds.
- Revenues: Other Local Taxes increased \$564,000 (8%) due primarily to a \$291,000 (11%) increase on Local Sales and Use taxes.
- Revenues: Due to an agreement between Botetourt County and County Waste, the latter business concerned assumed operation of the County landfill and assumed future landfill closure costs. As a result, this transaction involved a Gain on transfer of landfill rights in the amount of \$3,059,966.
- Revenues: All other revenue categories totaling \$6.9 million increased \$842,000 (14%).

## Management's Discussion and Analysis

- Overall, revenues for governmental activities increased \$7.8 million (13%). Excluding the Gain on transfer of landfill rights, revenues increased \$4.7 million (8%).

The following chart reflects the distribution of FY19 governmental expenses. As shown, education expenditures account for 42% of total expenditures, and when combined with public safety, expenditures for these two categories are 67% of total expenditures of \$60.9 million.

Governmental Activities – Expenses by Function  
For the Fiscal Year Ended June 30, 2019



- Expenses: General Government Administration expenses totaling \$3,851,000 increased \$579,000 (18%) vs. FY18. On a departmental basis, Technology Services assumed two (2) personnel positions from General Services, a department that was eliminated by transferring personnel and related operational costs to other departments. When compared to FY18, Technology Services also incurred approximately \$100,000 in additional combined maintenance and telecommunications costs. With the County currently in the process of a real estate reassessment, Year 1 Assessor costs for FY19 were \$171,000. Along with all other functional areas of the County, the impact of market-based salary adjustments will add to operational costs, along with the impact of a 2% cost of living increase that was effective July 1, 2018. For this functional area, the market-based salary adjustments were \$60,000 while the cost of living adjustment was approximately \$43,000.
- Expenses: Public Safety expenses increased \$755,000 (5%). On a departmental basis, Volunteer Fire & Rescue Services were combined with Fire and EMS career operations. The impact of market-based salary adjustments and the 2% raise was approximately \$605,000 for Public Safety. Juvenile Detention costs increased \$122,000 due to increased activity and an increase in the per diem rate. Employer premiums for Hospital and Medical costs increased \$140,000 (9%) when compared to FY18 cost. This was due to increased health plan renewal costs.

## Management's Discussion and Analysis

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- Expenses: Public Works expenses increased \$260,000 (3%) for FY19. This is due to an increase (\$375,000) in the estimate for landfill monitoring costs including costs relating to a corrective action. This increase was partially offset by a \$195,000 reduction in Public Works operating costs due to the dissolving of the General Services department, as these prior year costs were either transferred to other departments or eliminated. In other activity, there was a \$50,000 increase in capital-related items and a \$49,000 (7%) increase in refuse collection and disposal services.
- Expenses: Community Development costs increased \$1,494,000 (61%). This was due to a \$1.8 million increase in Contributions to the Economic Development Authority of Botetourt County. There were other areas that experienced reductions in costs, such as Industrial Development and capital related costs.
- Expenses: Interest on Long-Term Debt increased \$311,000 (20%) due to interest expense relating to two new School projects.
- Expenses: Health & Welfare expenses increased \$91,000 (3%). This was due to increase in costs relating to a) the cost of programs for Welfare Services and b) increased activity for Children's Services Act (CSA) for at-risk youths.
- Expenses: Parks, Recreation and Cultural expenses increased \$195,000 (7%). An increase in the matching contribution to the Daleville Family YMCA in the amount of \$100,000 (based on the funding timetable) was responsible for a large portion of the increase in this functional area. In addition there was \$65,000 in market-based salary adjustments and an increase in maintenance contract costs for the Recreation and Facilities department.
- Expenses: Education expenses decreased \$3.8 million (13%) due to the transfer of capital assets in the prior year to the School Board. School assets constructed with general obligation debt are reported as assets of the primary government until the debt is defeased, at which time the assets are transferred to the School Board.
- Overall, for reasons cited above, expenses for governmental activities decreased \$50,000 (less than 1%).

### Financial Analysis of the Government's Funds

As earlier mentioned, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of financial resources. Such information is useful in assessing the County's financing requirements.

In comparing unassigned fund balances as a percentage of governmental fund expenditures, it can be noted that FY19's figure of 41% represents an increase compared to FY18's figure of 38%.

## Management's Discussion and Analysis

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At the end of the fiscal year, the County's governmental funds reported an ending fund balance of \$50,055,322, an increase of \$215,416 (0.4%) versus the prior year. Revenues increased \$4.8 million (8%), while FY19 expenditures were \$915,000 (1.4%) greater than FY18 expenditures (Exhibit 5). When compared to FY18, the FY19 unassigned portion (\$26,793,545) of ending fund balance represents a \$1.3 million (5%) increase. Unassigned fund balance provides significant flexibility with respect to future discretionary spending.

As previously stated, the County's FY19 governmental fund balance increased \$215,416. Fiscal Year 2019 operational highlights include the following:

Revenues: Total FY19 revenues for the Primary Government increased \$4.8 million (8%).

- Local Revenues: (A) General property taxes increased \$1.3 million (3%). Real Property taxes increased \$305,000 (1%) due to real growth. Public Service Corporations taxes increased \$350,000 (12%) due to a multi-year utility project. Personal property taxes increased \$312,000 (5%) due to an increase in reported values. (B) Other Local Taxes increased \$564,000 (8%) for FY19. This was primarily due to 1) a \$291,000 (11%) increase in Local Sales and Use Taxes and 2) a \$98,000 (7%) increase in meals Taxes. (C) Revenue from Use of Money and Property increased \$828,000 (86%) due to an increase in available funds and increasing interest rates. (D) Charges for Services revenues increase \$282,000 (47%) due to a new Traffic Safety Program that distributes revenues to the County General Fund and a Sheriff's Traffic Program Fund. (E) Miscellaneous revenues increases \$544,000 (293%) due primarily to 1) receipt of an interest rate subsidy for an energy savings program (\$175,000) and \$285,000 for the sale of real estate. In addition, there was a \$147,000 (12%) increase in revenue from the Emergency Services Cost Recovery program reflected in Recovered Costs. In total, FY19 Local Revenues increased \$3.6 million (7%).
- State Revenues: FY19 revenues of \$11.7 million from the State represents a \$1.2 million (11%) increase from the previous year. This increase is due primarily to: a) receipt of \$1 million of (G.O.F.) Governor's Opportunity Funds, b) a \$48,000 (1%) increase in Sheriff's Department Compensation Board reimbursements, and c) a \$46,000 (12%) increase in Welfare administration receipts, and d) a \$32,000 (4%) increase in Children's Services Act reimbursements.
- Federal Revenues: totaled \$1,081,000, which represented a \$49,000 (5%) increase. This increase was due to: a) an increase of \$63,000 (8%) in Welfare administration receipts, and b) an increase of \$5,000 (2%) received for Payments In Lieu of Taxes (PILT).
- These subject revenues are shown in Schedule 1.

Expenditures: Total expenditures for the Primary Government for FY19 increased \$915,000 (1%). Most functional areas experienced increased costs, with the net increase minimized due to a non-recurrence of an FY 18 capital project for the School Component reflected as contributions from the Primary Government. Wages and benefits were impacted by an average wage increase of 2% effective 7/1/18 at an estimated cost of \$330,000. The raise impact will be reflected in all departments containing County and Constitutional employees. In addition, the County undertook a compensation study for salaries to better reflect current market environment; the resulting salary adjustments will be provided on a multi-year basis; the first year

## Management's Discussion and Analysis

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impact (FY19) was \$600,000 and impacted all County and Constitutional personnel-supported departments. Explanations of cost variances as compared to FY18 are as follows:

- General Government Administration's costs of \$3,913,000 for FY19 increased \$424,000 (12%). The first year impact of the two-year real estate reassessment cycle reflected \$171,000 of costs contained in the Assessor's Office department. There was \$56,000 of spending in the Electoral Board / Registrar area for new electronic poll books. Salary adjustments relating to the compensation study increased costs by \$60,000. There was an additional \$100,000 of spending in Technology Services for maintenance service contracts and telecommunication costs, as well as the assumption of wages and benefits for two positions that were previously contained in General Services (Public Works function).
- Public Safety costs of \$17,961,000 were \$2.2 million (14%) greater than FY18. Approximately \$1.2 million of additional spending was for fire two fire trucks. For the Public Safety area in total, the impact of the 2% raise was approximated \$185,000, and the impact of the market-based salary adjustments was approximately \$420,000. These three items total \$2.2 million. It should also be noted that there was an increase of \$122,000 for Juvenile Detention Center costs due to a) additional activity and length of stay time for youths and an increase in the per diem rate. In addition, there was an aggregate \$140,000 (9%) increase in Hospital and Medical costs for Public Safety departments, due in part to an increase in the cost of renewal for the health plan.

It should be noted that budget and cost activity for the Volunteer Fire and Rescue departments were combined with the Career Fire & Rescue department into one department.

- Public Works costs of \$1,563,000 were \$151,000 (9%) less than FY18 costs. This was directly related to the elimination of the General Services department, with remaining personnel transferred to General Administrative and Community Development functions, along with related remaining operational costs. Refuse collection and disposal costs increased \$49,000 (7%) due to increased refuse disposal costs.
- Parks, Recreation, and Cultural expenses of \$2,844,000 were \$213,000 (8%) greater than FY18. The planned Year 2 matching contribution to the Daleville Family YMCA increased from \$100,000 to \$200,000. In addition, there was \$65,000 of compensation adjustments from the salary market study, and a \$75,000 (62%) increased in Maintenance Service Contract costs for Recreation and Facilities department in an attempt to utilize outside service contractors rather than incur additional wage and benefit costs.
- Health and Welfare costs of \$3,753,000 were \$206,000 (6%) more than in FY18. Comprehensive Services Act expenses increased \$117,000 (100%) due primarily to an increase in costs for the providing of mandated youth services. Also, Welfare Services costs increased \$83,000 (4%) due to an increase in operating and program costs.
- Judicial administration costs of \$1,516,000 were approximately \$90,000 (6%) more than costs incurred in FY18. Approximately \$65,000 of this increase is reflected in Commonwealth's Attorney department due to increases in wage and benefit costs. Clerk of Circuit Court total costs increased \$24,000 due to wage and benefit costs and printing and binding costs.



## Management's Discussion and Analysis

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- Community Development costs totaling \$3,958,438 increased \$1.9 million (94%) compared to FY18 costs. The entire increase is due to an increase in contributions to the EDA.
- Education expense of \$24,608,000 resulted in a \$686,000 (3%) increase primarily due to increased contributions to the County School Board on a governmental basis.
- Debt Service costs of \$4,709,000 increased \$1,095,000 (30%) due to new school projects: the School Energy Performance and the new Colonial Elementary School projects. The former is financed over fifteen (15) years, while the latter is financed over a twenty (20) year period.
- Capital Projects – FY19 spending for capital projects totaled \$2.9 million, which represents a \$5.8 million decrease compared to FY18 capital project spending. While FY18 included initial costs for the School construction project and capital project spending for the Energy Savings project, FY19 capital project activity once again included a portion of preconstruction costs (\$1.8 million) for the new elementary school, with several much smaller projects activity for FY19.
- Expenditure categorization and activity is reflected in Schedule 2.

### General Fund Budgetary Highlights

Differences between the original budgeted expenditures and the final budgeted expenditures for the General Fund totaled \$30,924,527. This difference was primarily due to supplemental appropriations. Major components of this difference are as follows:

- Appropriation of \$22,516,050 for the Colonial Elementary School project.
- Appropriations of budgeted carryover funds from the fiscal year ended June 20, 2018 for programs and capital projects in the amount of \$3,061,544
- Appropriations of \$2,814,896 to the Economic Development Authority of Botetourt County.
- Appropriation of \$510,568 from revenues for tax relief for the elderly.
- Appropriations of \$317,835 for fire & rescue agency's programs and projects
- Appropriation of \$206,480 for Sheriff's departments.
- Appropriations of \$205,108 for capital projects activity not otherwise itemized.
- Appropriations of \$128,000 for Social Services operational and program costs.
- Appropriations of \$112,783 for Children's Services Act activity.
- Appropriation of \$109,533 for Community Development costs.

## Management's Discussion and Analysis

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- Appropriation of \$82,108 for Juvenile Detention activity.
- Appropriation of \$76,700 relating to Waste Management departmental operations cost.
- Appropriation of \$61,058 for electronic poll books for the Registrar department.
- Appropriation of \$50,000 for a matching contribution to YMCA of Daleville
- Appropriation of \$41,376 for Recreation programs. .

The above-mentioned appropriations for amended budget expenditures total \$30,294,039, accounting for 98% of the difference between the original budget appropriation and the amended budget.

With respect to FY19 amended budget vs. actual results, general fund revenues for the primary government were approximately \$4.2 million (7%) over budget for the year. Results for revenues from local sources accounted for a \$3 million (6%) positive variance, due primarily to a) actual results vs. budget in Revenues from the Use of Money and Property (\$1 million positive variance, b) a \$687,000 in additional revenues vs. budget for General Property and Other Local Taxes, c) a \$216,000 (18%) budget surplus for EMS Cost Recovery revenues. The receipt of \$1 million in Governor's Opportunity Fund grant money combined with the \$3 million budget surplus for Local Revenues accounts for \$4 million of the \$4.2 million total budget surplus for revenues.

Amended budget vs. actual results for general fund government expenditures for FY19 reflected a \$26.4 million (39%) positive variance, most notably due to the appropriation for Colonial Elementary School financing proceeds (\$22.5 million). Excluding this appropriation, actual expenditures were \$3.9 million (5%) less than the amended budget. This budget savings can be found in General Government Administration (\$538,000), Public Safety (\$2 million), and Community Development (\$1.4 million).

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## Management's Discussion and Analysis

### Capital Asset and Debt Administration

#### Capital assets

The County's investment in capital assets for its governmental activities as of June 30, 2019 is \$63,132,235 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, machinery and equipment, and construction in progress. The total represents an \$810,000 (1.3%) increase from the prior year.

Major capital asset transactions included the following for FY19:

A net \$1.4 million (3%) decrease in values for buildings & improvements, attributed to an increase in accumulated depreciation.

A \$1.5 million (28%) increase in net machinery & equipment assets. Construction in progress activity yielded a \$797,000 (43%) increase, while there was a \$142,000 (1%) decrease to land.

County of Botetourt, Virginia Capital Assets for Governmental Activities (net of depreciation)			
		Governmental activities	
		<u>2019</u>	<u>2018</u>
Land	\$	12,037,981	\$ 12,180,238
Buildings		41,507,034	42,863,661
Machinery and equipment		6,924,437	5,412,050
Construction in progress		2,662,783	1,866,181
Total	\$	<u>63,132,235</u>	<u>\$ 62,322,130</u>

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## Management's Discussion and Analysis

### Long-term debt

At the end of the fiscal year the County had the following outstanding debt:

County of Botetourt's Outstanding Debt			
	Governmental activities		
	2019	2018	
General obligation bonds	\$ 51,145,429	\$ 53,471,360	
Literary Loans	857,720	1,509,650	
Capital Leases	121,359	239,315	
Landfill closure / post-closure	3,106,162	5,891,017	
Compensated absences	653,458	670,504	
Net pension liability	533,986	2,509,114	
Net OPEB liability	914,000	946,000	
Total	\$ 57,332,114	\$ 65,236,960	

Botetourt County's FY19 outstanding debt for governmental activities totaled \$57,332,114, which represented a \$7.9 million (12%) decrease. This was primarily due to a \$2.8 million (47%) decrease in Landfill Closure and Post-Closure costs due to the transfer of landfill closure cost liability to County Waste. This company is currently operating and filling the landfill and will assume closure costs (per Agreement), with the County still responsible for post-closure costs. In addition, Net pension liability decreased \$2 million (79%) due to a significant difference in expected vs. actual experience. Also, there was a \$2.3 million (5%) decrease in General obligation bond debt due to scheduled pay down of existing debt and a reduction in unamortized premium on bond issuances. Finally, the majority of the remaining reduction in outstanding debt was due to a \$652,000 (43%) in Literary Fund loans. Capital leases and Net OPEB liability both experience reductions as well compared to FY18.

The County's debt policy establishes debt affordability limits. Results vs. these limits were as follows:

- Net bonded debt-per-capita, limit \$2,000, actual \$1,562
- Net bonded debt to assessed value, limit 4%, actual 1.18%
- Ratio of debt service to total general governmental expenditures, limit 10%, actual 6.95%.
- The County continues to maintain its AA bond ratings with all three credit rating agencies.

Additional information on the County's capital asset activity (Note 20) and long-term debt (Notes 8 through 18) can be found in the notes to the financial statements.

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### Economic Factors and Next Year's Budgets and Rates

The FY20 budget process was challenging. After several rounds of revenue estimates and forecasts, a County revenue budget was developed, which included a \$3.1 million (5%) revenue increase. Approximately \$2.6 million of the total increase was reflected in local revenues, with the largest impacts shown in Use of Money and Property (\$573,000 increase) Machinery and Tools taxes (\$500,000 increase) and General Property taxes (\$499,000 increase). Personal Property taxes and Public Service Corporations taxes are also expected to contribute to the overall Local revenue increase. State revenues are expected to increase (\$368,000) due to increased revenues for Compensation Board reimbursements and Emergency Services grant funds. Federal revenues are expected to increase \$49,000 due primarily to a projected increase in Payments in Lieu of Taxes and Federal Welfare payments.

The expenditure portion of the County FY20 budget reflected a \$2.2 million (7%) increase in operational costs, which included \$600,000 for the full-year impact of the FY19 market-based salary adjustments and \$600,000 for the FY20 impact of market-based salary adjustments and merit pay. Other operational costs increases include \$330,000 for increases in Hospital / Medical costs for the employer portion of health, dental, and vision premiums. Also, \$150,000 of budgeted costs were provided for personnel additions (4 positions). Of the \$2.2 million increase in operating costs, \$520,000 is spread among several County functions, including General Government Administration, Public Safety Parks, Recreation and Cultural, and Community Development areas. In terms of the County's next real estate reassessment process, FY20 is Year 2 of a two-year budget cycle, and \$111,000 has been included for the Assessor's budget, which is a decrease of \$100,000 when compared to the FY19 budget. The budget also included \$2.2 million for capital improvement projects (CIP), an increase of \$1.2 million (120%), and was heavily invested in General Government, Maintenance, Waste Management, Technology Services, and Community and Economic Development components.

Botetourt County has an Economic Development Authority (EDA) which relies heavily on County funding. With a continuing increase in economic development activity, and the need to provide for local incentives in addition to providing for future projects, \$398,000 was included in the budget as a contribution to the Botetourt County EDA.

The Debt Service portion of the FY20 budget reflected a \$162,000 (3%) decrease, due to the net impact of an increase in Colonial Elementary School project debt and decreases in other School-related debt obligations. Construction of the new Colonial Elementary School will replace its aged, outdated version.

The School portion of the FY20 budget called for funding of \$25 million, a \$450,000 (2%) increase.

The total FY20 budget of \$100.9 million (4% increase) was approved in April 2019.

Factors and finer points regarding the FY20 Budget are as follows:

- The most recent unemployment rate published (September, 2019) for the County is 2.3%, which is a decrease from the rate of 2.4 percent from the same month a year ago. This compares favorably to the State's September 2019 unemployment rate of 2.5 percent and the current national rate of 3.3 percent. .

## Management's Discussion and Analysis

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- The School Board preliminary budget identified approximately \$2.1 million in new needs. The School budget process then prioritized needs and addressed operational priorities. With respect to employee compensation and changes, there were eight (8) staff position reductions of secondary teacher positions and an addition of one other (1) staff position, across-the-board step increases and one correction step for eligible employees. In addition, there was a 2% increase for a salary scale adjustment. Also, funding was included for continuation of the bus replacement program.
- In terms of personnel additions for the County, a new School Resource Officer, a Volunteer Coordinator for Fire & EMS and a Human Resources Training Coordinator, were all budgeted to be hired 1/1/20 (mid-year). There was one other full-time position, a Secretary for Recreation and Facilities was budgeted to be hired 7/1/19, replacing two part-time positions in that area.
- o The total General Fund FY20 capital project (CIP) budget of \$2,187,100 represents a \$1.2 million (117%) increase in relation to capital project dollars budgeted for FY19. The budget includes \$250,000 for General Government for a comprehensive facilities master plan. A total of \$705,000 is included in the budget for Maintenance that will include funding for a multi-year project (Circuit Courthouse Renovation) as well as funding for the relocation of certain County and Constitutional offices to the Greenfield Education and Training Center. The Waste Management area has been provided \$300,000 for project funding, while Technology Services will receive funding of \$353,000 to be applied to several projects. Community and Economic development areas have \$350,000 budgeted, primarily for the matching contribution (\$300,000) to the Daleville YMCA. The balance of the FY20 CIP funding will be apportioned to Recreation, Public Safety, and Libraries.
- As has been detailed, there are many initiatives incorporated into the FY20 Budget, including an overall increase in the operations budget and increase in School funding. At the end of the process, the FY20 Budget was balanced, with no requirement to supplement the budget with fund balance.

All of these factors were considered in preparation, development, and approval of Botetourt County's budget for the 2020 fiscal year.

### Contacting the County's Financial Management

This financial report is designed to provide readers with a general overview of the County of Botetourt's finances. The Component Unit Economic Development Authority (EDA) issues separate financial statements, while the Component Unit School Board does not. The EDA's financial statements may be obtained from the Botetourt County Financial Services Department (address below). Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Financial Services Department, 6 East Main Street, #6, Fincastle, Virginia 24090. Also, please visit the County's website at [www.co.botetourt.va.us](http://www.co.botetourt.va.us)

## Basic Financial Statements

County of Botetourt, Virginia  
Statement of Net Position  
June 30, 2019

	Primary Government		Component Units	
	Governmental			
	Activities	School Board	EDA	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 22,162,746	\$ 8,074,814	\$ 41,417	
Investments	8,024,575	-	-	
Receivables (net of allowance for uncollectibles):				
Taxes receivable	907,479	-	-	
Accounts receivable	767,699	15,682	-	
Note receivable	-	-	595,952	
Due from primary government	-	-	391,491	
Due from other governmental units	1,405,875	1,603,260	-	
Inventories	-	52,720	-	
Prepaid items	676,031	-	-	
Restricted assets:				
Cash and cash equivalents	22,018,232	82,764	14,648	
Capital assets (net of accumulated depreciation):				
Land	12,037,981	1,621,728	1,035,699	
Buildings and improvements	41,507,034	14,903,286	2,438,080	
Machinery and equipment	6,924,437	2,294,552	-	
Construction in progress	2,662,783	-	-	
Total assets	\$ 119,094,872	\$ 28,648,806	\$ 4,517,287	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	\$ 675,312	\$ -	\$ -	
Pension related items	1,041,194	5,192,480	-	
OPEB related items	111,906	972,148	-	
Total deferred outflows of resources	\$ 1,828,412	\$ 6,164,628	\$ -	
<b>LIABILITIES</b>				
Accounts payable	\$ 803,496	\$ 552,520	\$ 2,832	
Construction and retainage payables	232,486	-	-	
Accrued liabilities	-	-	-	
Accrued wages and health claims	436,760	4,996,906	-	
Accrued interest payable	918,563	5,725	1,702	
Due to component unit	391,491	-	-	
Unearned revenue	2,300,000	-	373,750	
Amounts held for others	-	-	14,648	
Long-term liabilities:				
Due within one year	3,021,536	892,668	390,489	
Due in more than one year	54,310,578	52,280,217	534,787	
Total liabilities	\$ 62,414,910	\$ 58,728,036	\$ 1,318,208	
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes paid in advance	\$ 244,478	\$ -	\$ -	
Pension related items	2,471,139	6,414,054	-	
OPEB related items	121,000	1,534,000	-	
Total deferred inflows of resources	\$ 2,836,617	\$ 7,948,054	\$ -	
<b>NET POSITION</b>				
Net investment in capital assets	\$ 38,795,003	\$ 18,000,168	\$ 3,144,455	
Restricted				
Judicial administration	86,988	-	-	
Public safety	450,381	-	-	
Public works	22,437	-	-	
Parks, recreation, and cultural	33,797	-	-	
Cafeteria operations	-	122,145	-	
Unrestricted	16,283,151	(49,984,969)	54,624	
Total net position	\$ 55,671,757	\$ (31,862,656)	\$ 3,199,079	

The notes to the financial statements are an integral part of this statement.



County of Botetourt, Virginia  
Statement of Activities  
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units		
					Primary Governmental Activities	School Board	EDA
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government administration	\$ 3,850,532	\$ 91,880	\$ 278,123	\$ -	\$ (3,480,529)	\$ -	\$ -
Judicial administration	1,433,388	115,017	751,369	-	(567,002)	-	-
Public safety	15,568,648	864,333	3,886,332	-	(10,817,983)	-	-
Public works	2,105,297	222,436	-	-	(1,882,861)	-	-
Health and welfare	3,612,811	-	2,033,269	-	(1,579,542)	-	-
Education	25,471,753	-	-	-	(25,471,753)	-	-
Parks, recreation, and cultural	3,045,560	180,721	152,415	-	(2,712,424)	-	-
Community development	3,926,147	-	1,027,500	-	(2,898,647)	-	-
Interest on long-term debt	1,881,932	-	-	-	(1,881,932)	-	-
Total governmental activities	\$ 60,896,068	\$ 1,474,387	\$ 8,129,008	\$ -	\$ (51,292,673)	\$ -	\$ -
<b>COMPONENT UNITS:</b>							
School Board	\$ 52,022,838	\$ 1,034,152	\$ 28,878,291	\$ -	\$ -	\$ (22,110,395)	\$ -
Economic Development Authority	2,647,422	377,888	2,420,624	493,903	-	-	644,993
Total component units	\$ 54,670,260	\$ 1,412,040	\$ 31,298,915	\$ 493,903	\$ -	\$ (22,110,395)	\$ 644,993
General revenues:							
General property taxes					\$ 40,970,422	\$ -	\$ -
Other local taxes:							
Local sales and use taxes					3,034,992	-	-
Consumers' utility taxes					574,527	-	-
Business license taxes					947,815	-	-
Motor vehicle taxes					674,493	-	-
Restaurant food taxes					1,529,324	-	-
Other local taxes					1,338,023	-	-
Unrestricted revenues from the use of money and property					1,787,364	42,967	30,205
Miscellaneous					729,999	269,268	-
Grants and contributions not restricted to specific programs					4,673,792	23,626,595	-
Special item - gain on the transfer of landfill rights					3,059,966	-	-
Total general revenues					\$ 59,320,717	\$ 23,938,830	\$ 30,205
Change in net position					\$ 8,028,044	\$ 1,828,435	\$ 675,198
Net position - beginning					47,643,713	(33,691,091)	2,523,881
Net position - ending					\$ 55,671,757	\$ (31,862,656)	\$ 3,199,079

The notes to the financial statements are an integral part of this statement.

County of Botetourt, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2019

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	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 21,053,657
Investments	8,024,575
Receivables (net of allowance for uncollectibles):	
Taxes receivable	907,479
Accounts receivable	740,791
Due from other governmental units	1,405,875
Prepaid items	676,031
Restricted assets:	
Cash and cash equivalents	22,018,232
Total assets	<u>\$ 54,826,640</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 803,496
Construction and retainage payables	232,486
Due to component unit	391,491
Unearned revenue	2,300,000
Total liabilities	<u>\$ 3,727,473</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue-property taxes	\$ 799,367
Property taxes paid in advance	244,478
Total deferred inflows of resources	<u>\$ 1,043,845</u>
<b>FUND BALANCES</b>	
Nonspendable	
Prepaid items	\$ 676,031
Committed	800,000
Restricted	21,785,746
Unassigned	26,793,545
Total fund balances	<u>\$ 50,055,322</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 54,826,640</u>

The notes to the financial statements are an integral part of this statement.

County of Botetourt, Virginia  
Reconciliation of the Balance Sheet of Governmental Funds  
To the Statement of Net Position  
June 30, 2019

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Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 50,055,322

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 12,037,981	
Buildings and improvements	41,507,034	
Machinery and equipment	6,924,437	
Construction in progress	<u>2,662,783</u>	63,132,235

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Unavailable revenue - property taxes		799,367
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$ 1,041,194	
OPEB related items	<u>111,906</u>	1,153,100

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

699,237

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds/refunding bonds/literary fund loans	\$ (49,708,366)	
Deferred charges on refunding (to be amortized as interest expense)	675,312	
Bond premium (to be amortized over life of debt)	(2,294,783)	
Capital leases	(121,359)	
Accrued interest payable	(918,563)	
Landfill post-closure liability	(3,106,162)	
Compensated absences	(653,458)	
Net pension liability	(533,986)	
Net OPEB liability	<u>(914,000)</u>	(57,575,365)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$ (2,471,139)	
OPEB related items	<u>(121,000)</u>	(2,592,139)

Net position of governmental activities		<u><u>\$ 55,671,757</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Botetourt, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2019

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	<u>General</u>
<b>REVENUES</b>	
General property taxes	\$ 40,967,373
Other local taxes	8,099,174
Permits, privilege fees, and regulatory licenses	525,329
Fines and forfeitures	64,213
Revenue from the use of money and property	1,787,364
Charges for services	884,845
Miscellaneous	729,999
Recovered costs	2,128,298
Intergovernmental	12,802,800
Total revenues	<u>\$ 67,989,395</u>
<b>EXPENDITURES</b>	
Current:	
General government administration	\$ 3,913,231
Judicial administration	1,516,370
Public safety	17,961,187
Public works	1,563,162
Health and welfare	3,752,760
Education	24,607,991
Parks, recreation, and cultural	2,843,713
Community development	3,958,438
Capital projects	2,948,598
Debt service:	
Principal retirement	2,789,648
Interest and other fiscal charges	1,918,881
Total expenditures	<u>\$ 67,773,979</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 215,416</u>
Net change in fund balances	\$ 215,416
Fund balances - beginning	49,839,906
Fund balances - ending	<u>\$ 50,055,322</u>

The notes to the financial statements are an integral part of this statement.

County of Botetourt, Virginia  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2019

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	215,416
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlays	\$ 4,351,705	
Depreciation expenses	(3,298,543)	1,053,162

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.

Deletion of assets	\$ (35,738)	
Special item - deletions of landfill assets related to transfer of landfill rights	(207,319)	(243,057)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		3,049
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued or incurred:		
(Increase) decrease in accrued landfill post-closure liability	\$ (482,430)	
Special item - gain on the transfer of landfill rights	3,267,285	
Principal repayments:		
General obligation bonds/literary loans/capital leases	2,789,648	5,574,503

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Change in compensated absences	\$ 17,046	
Change in accrued interest payable	(219,197)	
Change in pension related items	1,341,403	
Change in OPEB related items	64,407	
Amortization of bond premium	306,169	
Amortization of deferred charge on refunding	(50,023)	1,459,805

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

(34,834)

Change in net position of governmental activities

\$ 8,028,044

The notes to the financial statements are an integral part of this statement.

County of Botetourt, Virginia  
Statement of Net Position  
Proprietary Funds  
June 30, 2019

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	Internal Service <u>Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,109,089
Accounts receivable	26,908
Total assets	<u>\$ 1,135,997</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accrued health claims	\$ 436,760
Total liabilities	<u>\$ 436,760</u>
<b>NET POSITION</b>	
Unrestricted	\$ 699,237
Total net position	<u><u>\$ 699,237</u></u>

The notes to the financial statements are an integral part of this statement.

County of Botetourt, Virginia  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2019

	Internal Service <u>Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Insurance premiums	\$ 4,078,198
Total operating revenues	<u>\$ 4,078,198</u>
<b>OPERATING EXPENSES</b>	
Insurance claims and expenses	\$ 4,122,809
Total operating expenses	<u>\$ 4,122,809</u>
Operating income (loss)	<u>\$ (44,611)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	\$ 9,777
Total nonoperating revenues (expenses)	<u>\$ 9,777</u>
Change in net position	\$ (34,834)
Total net position - beginning	734,071
Total net position - ending	<u><u>\$ 699,237</u></u>

The notes to the financial statements are an integral part of this statement.

County of Botetourt, Virginia  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2019

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	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts for insurance premiums	\$ 4,078,361
Payments for health claims	(4,187,765)
Net cash provided by (used for) operating activities	<u>\$ (109,404)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	\$ 9,777
Net cash provided by (used for) investing activities	<u>\$ 9,777</u>
 Net increase (decrease) in cash and cash equivalents	\$ (99,627)
 Cash and cash equivalents - beginning	1,208,716
Cash and cash equivalents - ending	<u><u>\$ 1,109,089</u></u>
 <b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	<u>\$ (44,611)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
(Increase) decrease in accounts receivable	\$ 163
Increase (decrease) in health claims payable	(64,956)
Total adjustments	<u>\$ (64,793)</u>
Net cash provided by (used for) operating activities	<u><u>\$ (109,404)</u></u>

The notes to the financial statements are an integral part of this statement.



County of Botetourt, Virginia  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2019

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	<b><u>Agency Funds</u></b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,265,542
Receivables:	
Due from other governments	33,548
Total assets	<u>\$ 2,299,090</u>
<b>LIABILITIES</b>	
Amounts held for social services clients	\$ 51,479
Amounts held for employees	10,698
Amounts held for other agencies	2,123,914
Amounts held for performance bond	39,735
Amounts held for inmates	73,264
Total liabilities	<u>\$ 2,299,090</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF BOTETOURT, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

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**Note 1-Summary of Significant Accounting Policies:**

The financial statements of the County of Botetourt, Virginia ("the County") conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

**A. Financial Reporting Entity**

The County of Botetourt, Virginia (government) is a municipal corporation governed by an elected five-member Board of Supervisors. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units - None

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the County's discretely presented component units.

The Botetourt County School Board ("School Board") operates the elementary and secondary public schools in the County. School Board members are popularly elected. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type. The School Board does not issue separate financial statements.

The Botetourt County Economic Development Authority ("EDA") encourages and provides financing for industrial development in the County. The EDA board members are appointed by the Board of Supervisors. The EDA is fiscally dependent upon the County because the County provides significant funding and approves all debt issuances. In addition, the EDA does not have separate taxing powers. The EDA is presented as an enterprise fund type. Complete financial statements for the EDA may be obtained at the County's administrative offices: 1 West Main Street, Fincastle, VA 24090.

Related Organizations - The County's officials are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointment.

Jointly Governed Organizations - The County, in conjunction with other localities, participates in supporting the Blue Ridge Community Services Board and the Regional Center for Animal Control and Protection (Pound). The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$40,000 to the Blue Ridge Community Services Board and \$235,876 to the Pound.

**Note 1-Summary of Significant Accounting Policies: (Continued)**

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. The interfund services provided by and used for in the internal services fund are not eliminated in the process of consolidation. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of net position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide statement of net position and will report depreciation expense - the cost of "using up" capital assets - in the statement of activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, with the exception of agency funds (discussed below). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Note 1-Summary of Significant Accounting Policies: (Continued)**

C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

Agency funds use the accrual basis of accounting, but have no measurement focus as they do not report equity.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reported as unavailable revenues.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It is used to account for and report for all financial resources of the general government, except those required to be accounted for and reported in other funds.

The government reports the following major proprietary funds:

The *Internal Service Fund* accounts for and reports the financing of goods and services provided by one department or agency to other departments or agencies of the County government. The self-insured health insurance plan is accounted for and reported in this fund.

**Note 1-Summary of Significant Accounting Policies: (Continued)**

C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

Additionally, the government reports the following fund types:

*Fiduciary funds* account for and report assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Roanoke Valley Regional Board, Special Welfare, Cafeteria Plan, Inmate Trust and Canteen, Flexible Benefits Funds and Escrow Funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's proprietary fund are charges to customers for insurance premiums. Operating expenses for proprietary funds include insurance claims and expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance

1. Cash and cash equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Accordingly, investments totaling \$36,592,002 are reported in the accompanying financial statements as cash and cash equivalents.

2. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**Note 1-Summary of Significant Accounting Policies: (Continued)**

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance  
(Continued)

3. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds" (i.e. the noncurrent portion of interfund loans).

4. Property taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on November 1<sup>st</sup>. Personal property taxes are due and collectible annually on November 1<sup>st</sup>. The County bills and collects its own property taxes.

5. Allowance for uncollectible accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$19,814 at June 30, 2019 consisting of delinquent taxes.

6. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Compensated absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The County accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

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**Note 1-Summary of Significant Accounting Policies: (Continued)****D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance  
(Continued)****8. Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	10-20*
Structures, lines, and accessories	20-40
Machinery and equipment	4-30

\* up to the remaining life of the building

**9. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's and School Board's Retirement Plan and the additions to/deductions from the County's and School Board's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Note 1-Summary of Significant Accounting Policies: (Continued)**

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance  
(Continued)

10. Other post employment benefit(OPEB) programs

*Group Life Insurance*

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Political Subdivision and Teacher Employee Health Insurance Credit Program*

The School Board (nonprofessional) and Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Programs were established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, which provides the authority under which benefit terms are established or may be amended. The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the Programs' OPEB, and the related OPEB expenses, information about the fiduciary net position of the School Board (nonprofessional) and VRS Teacher Employee HIC Programs; and the additions to/deductions from the School Board (nonprofessional) and VRS Teacher Employee HIC Programs' net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Long-term obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.



**Note 1-Summary of Significant Accounting Policies: (Continued)**

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance  
(Continued)

11. Long-term obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

12. Fund balance

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable -items that cannot be spent because they are not in spendable form, such as prepaid items and inventory, or are required to maintained intact (corpus of a permanent fund).

Restricted -items that are restricted by external parties such as creditors or imposed by grants, law or legislation.

Committed -The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The County Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned -Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The County Board of Supervisors (Board) has by resolution authorized the Finance Director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. At year end the assigned fund balance represents an amount necessary to balance the subsequent year's budget (i.e. budgeted use of reserves).

Unassigned -this category is for any balances that have no restrictions placed upon them; positive amounts are only reported in the General Fund.

**Note 1-Summary of Significant Accounting Policies: (Continued)**

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance  
(Continued)

12. Fund balance (Continued)

When fund balance resources are available for a specific purpose in more than one classification, it is the County's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

13. Net position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

14. Net position flow assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

15. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The consumption method is used in governmental funds to report prepaid items.

16. Restricted assets

Restricted assets consist of cash and cash equivalents that are legally restricted for use by enabling state legislation, grant awards or debt agreements.

17. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

**Note 1-Summary of Significant Accounting Policies: (Continued)**

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance  
(Continued)

18. Self-insurance

The County was self-insured for health insurance beginning with the fiscal year ending June 30, 2012. The School Board was self-insured for health insurance beginning with the fiscal year ending June 30, 2015. Estimates for the accrued liability at the end of the year have been recorded.

19. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The County only has two items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30<sup>th</sup> and property taxes paid in advance, which are deferred and recognized as an inflow of resources in the period that the amounts become available. Under the accrual basis, amounts prepaid on property taxes are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

**Note 2-Stewardship, Compliance, and Accountability:**

**A. Budgetary information**

The following procedures are used by the County in establishing the budgetary data reflected in the financial statements:

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund and the School Operating Fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or fund level (School Board). Only the Board of Supervisors can revise the appropriation for each department or fund. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school fund.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The School Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30 for all County units.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

**B. Excess of expenditures over appropriations**

For the fiscal year ended June 30, 2019, expenditures did not exceed appropriations in any departments.

**C. Deficit fund equity**

At June 30, 2019, there were no funds with negative equity.

**D. Debt Limitations**

There is no limitation imposed by state law or local ordinance on the amount of general obligation debt that a county may issue; however, with certain exceptions, all debt which is either directly or indirectly secured by the general obligation of a county must be approved at public referendum prior to issuance.

**Note 3-Deposits and Investments:**

Deposits: Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"), Section 2.2-4400 et. Seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments: Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Interest Rate Risk

The County has not adopted an investment policy for interest rate risk. Investments subject to interest rate risk are presented below along with their corresponding maturities.

Investment Maturities (in years)			
Investment Type	Fair Value	1 Year	1-5 Years
Local Government Investment Pool	\$ 15,358,678	\$ 15,358,678	\$ -
SNAP	21,150,560	21,150,560	-
U.S. Bancorp Money Market	82,764	82,764	-
Certificates of Deposit	8,024,575	2,000,000	6,024,575
Totals	\$ 44,616,577	\$ 38,592,002	\$ 6,024,575

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**Note 3-Deposits and Investments: (Continued)****Credit Risk of Debt Securities**

The County has not adopted an investment policy for credit risk. The County's rated debt investments as of June 30, 2019 were rated by Standard and Poor's rating scale and the ratings are presented below.

Rated Debt Investments	Fair Quality Ratings	
	AAAm	Not available
Local Government Investment Pool	\$ 15,358,678	\$ -
SNAP	21,150,560	-
U.S. Bancorp Money Market	-	82,764

**External Investment Pools**

The value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) is the same as the value of the pool shares. As LGIP and SNAP are not SEC registered, regulatory oversight of the pools rest with the Virginia State Treasury. LGIP and SNAP are amortized cost basis portfolios. There are no withdrawal limitations or restrictions imposed on participants.

**Custodial Credit Risk**

At year end, the County was not exposed to any custodial credit risk for deposits or investments. The County limits deposits to those banks fully collateralized under the Commonwealth's Security for Public Deposits Act. The County policy in regards to investments requires that all investments be held in the County's name. As of June 30, 2019, the County and Component Unit School Board did not hold any investments that were subject to custodial credit risk.

**Concentration of Credit Risk**

At June 30, 2019, the County did not have any investments requiring concentration of credit risk disclosures that exceeded 5% of total investments.

**Note 4-Fair Value Measurements:**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The County maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

For the year ending and as of June 30, 2019, the County did not hold any investments subject to fair value measurement.

**Note 5-Due from Other Governmental Units:**

The following amounts represent amounts due from other governments at year-end:

	Primary Government	Component Unit- School Board
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 568,650	\$ -
Categorical aid-State sales tax	-	643,951
Categorical aid-Other	486,752	-
Non-categorical aid	116,858	-
Categorical aid-Virginia Public Assistance	37,517	-
Categorical aid-Comprehensive Services Act	126,896	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance	64,113	-
Categorical aid-Other	5,089	959,309
Totals	<u>\$ 1,405,875</u>	<u>\$ 1,603,260</u>

**Note 6-Interfund/Component Unit Obligations:**

At year end, there were no interfund obligations.

Component unit obligations at June 30, 2019, consisted of the following:

Fund	Due to Component Unit	Due from Primary Government
<u>Primary Government:</u>		
Governmental Activities	\$ 391,491	\$ -
<u>Component Unit:</u>		
EDA	-	391,491
Total	<u>\$ 391,491</u>	<u>\$ 391,491</u>



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**Note 7-Interfund Transfers/Component Unit Contributions:**

At year end, there were no interfund transfers.

Primary government contributions to component units for the year ended June 30, 2019, consisted of the following:

Component Unit:	
School Board	\$ 24,565,851
EDA	2,420,624
Total	<u>\$ 26,986,475</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

The Component Unit School Board transferred land valued at \$493,903 to the EDA during the fiscal year.

**Note 8-Long-Term Obligations:****Primary Government - Governmental Activities Obligations:**

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2019.

	Balance July 1, 2018	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2019
Direct Borrowings and Placements:				
General Obligation Bonds	\$ 50,870,408	\$ -	\$ (2,019,762)	\$ 48,850,646
Literary Fund Loans	1,509,650	-	(651,930)	857,720
Unamortized Premium	2,600,952	-	(306,169)	2,294,783
Capital leases	239,315	-	(117,956)	121,359
Landfill post-closure liability	5,891,017	482,430	(3,267,285)	3,106,162
Compensated absences	670,504	485,832	(502,878)	653,458
Net pension liability	2,509,114	4,263,419	(6,238,547)	533,986
Net OPEB liability	946,000	153,000	(185,000)	914,000
Total	<u>\$ 65,236,960</u>	<u>\$ 5,384,681</u>	<u>\$ (13,289,527)</u>	<u>\$ 57,332,114</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019Note 8-Long-Term Obligations: (Continued)Primary Government - Governmental Activities Obligations: (Continued)

For governmental activities, compensated absences, landfill closure/post-closure liability, net pension liability, and net OPEB liability are generally liquidated in the General Fund.

Annual requirements to amortize long-term debt and related interest are as follows:

Year Ending June 30,	Direct Borrowings and Placements:			
	General Obligation Bonds		Literary Fund Loans	
	Principal	Interest	Principal	Interest
2020	\$ 2,008,153	\$ 2,022,635	\$ 401,930	\$ 25,732
2021	2,820,487	1,910,403	401,930	13,674
2022	2,958,585	1,776,472	53,860	2,424
2023	3,102,473	1,637,213	-	-
2024	3,257,175	1,490,369	-	-
2025-2029	15,292,607	5,152,988	-	-
2030-2034	12,231,166	2,300,849	-	-
2035-2039	7,180,000	654,496	-	-
Totals	<u>\$ 48,850,646</u>	<u>\$ 16,945,425</u>	<u>\$ 857,720</u>	<u>\$ 41,830</u>

COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

Note 8-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Obligations: (Continued)

Details of long-term obligations:

Type/ Project	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Direct Borrowings and Placements:						
Revenue Bonds:						
2017 School Energy Program - VRA (1)	3.75%	7/5/2017	2033	\$ 6,512,144	\$ 6,152,307	\$ 337,664
General Obligation Bonds:						
Fire Truck Loan	4.25%	8/6/2013	2029	446,372	275,701	25,435
2018 Fire Truck Loan	2.8769%	5/1/2018	2025	1,188,185	1,032,638	160,054
School construction - VPSA	4.1% - 5.1%	5/11/2006	2026	15,890,000	8,270,000	870,000
Jail Construction Ref. Bond - VRA	2.011%-5.125%	8/14/2014	2033	13,150,000	11,855,000	615,000
School construction - VPSA	3.05%-5.05%	5/15/2018	2039	21,265,000	21,265,000	-
Total Bonds					<u>\$ 48,850,646</u>	<u>\$ 2,008,153</u>
Add:						
Unamortized premium on Issuance	n/a	n/a	n/a	n/a	\$ 2,294,783	-
Net General Obligation Bonds					<u>\$ 51,145,429</u>	<u>\$ 2,008,153</u>
Literary Fund Loans:						
School construction	3.00%	12/1/2000	2021	\$ 7,500,000	\$ 750,000	\$ 375,000
School construction	3.00%	1/15/2003	2023	538,600	107,720	26,930
Total Literary Fund Loans					<u>\$ 857,720</u>	<u>\$ 401,930</u>
Total Direct Borrowings and Placements					<u>\$ 52,003,149</u>	<u>\$ 2,410,083</u>
Capital Leases:						
Equipment		5/29/2015		\$ 473,288	\$ 99,177	\$ 99,177
Equipment		6/30/2015		53,016	11,091	11,091
Equipment		7/31/2015		53,130	11,091	11,091
Total Capital Leases					<u>\$ 121,359</u>	<u>\$ 121,359</u>
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 653,458	\$ 490,094
Landfill post-closure liability	n/a	n/a	n/a	n/a	3,106,162	-
Net pension liability	n/a	n/a	n/a	n/a	533,986	-
Net OPEB liability	n/a	n/a	n/a	n/a	914,000	-
Total Other Obligations					<u>\$ 5,207,606</u>	<u>\$ 490,094</u>
Total Long-term obligations					<u>\$ 57,332,114</u>	<u>\$ 3,021,536</u>

(1) This bond is considered an operating debt as same was used for energy savings improvements for the Component Unit School Board.

The locality's revenue bonds, general obligation bonds and literary loans are subject to the state aid intercept program. Under terms of the program, the County's State aid is redirected to bond holders to cure any event(s) of default. In addition, VRA and VPSA bonds can be called in their entirety if an event of default occurs.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019Note 9-Long-Term Obligations-Component Unit:Discretely Presented Component Unit School Board Obligations:

The following is a summary of long-term obligations transactions of the Component Unit School Board for the year ended June 30, 2019.

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital leases	\$ 767,687	\$ 439,890	\$ (305,415)	\$ 902,162
Compensated absences	608,329	639,438	(456,247)	791,520
Net OPEB liabilities	12,496,000	1,259,000	(2,487,000)	11,268,000
Net pension liability	43,312,433	9,661,741	(12,762,971)	40,211,203
Total	<u>\$ 57,184,449</u>	<u>\$ 12,000,069</u>	<u>\$ (16,011,633)</u>	<u>\$ 53,172,885</u>

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Capital Leases:						
School Buses		2/2/2017		\$ 505,586	\$ 203,914	\$ 101,088
School Buses		11/21/2017		586,000	351,519	114,997
School Buses		3/15/2019		439,890	346,729	82,943
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	791,520	593,640
Net OPEB Liabilities	n/a	n/a	n/a	n/a	11,268,000	-
Net Pension Liability	n/a	n/a	n/a	n/a	40,211,203	-
Total long-term obligations					<u>\$ 53,172,885</u>	<u>\$ 892,668</u>

Capital leases, compensated absences, pension liabilities, and net OPEB liabilities of the Component Unit School Board are liquidated by the School Operating Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**Note 10-Capital Leases:**

The County has entered into three capital leases for the purchase of County-wide communications equipment. These lease agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception date.

Total capital assets acquired through capital leases are as follows:

County-wide communication equipment	\$ 579,434
Total capital assets	<u>\$ 579,434</u>
Accumulated Depreciation	<u>(458,150)</u>
Net Book Value of Capital Assets	<u><u>\$ 121,284</u></u>

Present value of future minimum lease payments:

Year Ending June 30,	Capital Leases
2020	\$ 124,281
Total minimum lease payments	\$ 124,281
Less: amount representing interest	<u>(2,922)</u>
Present value of future minimum lease payments	<u><u>\$ 121,359</u></u>

**Note 11-Capital Leases-Component Unit:****Discretely Presented Component Unit School Board Capital Leases:**

The School Board has entered into capital leases for the purchase of school buses. These lease agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception date.

Total capital assets acquired through capital leases are as follows:

School buses	\$ 1,448,633
Total capital assets	<u>\$ 1,448,633</u>
Accumulated Depreciation	<u>(230,671)</u>
Net Book Value of Capital Assets	<u><u>\$ 1,217,962</u></u>

COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

**Note 11-Capital Lease-Component Unit: (Continued)**

Discretely Presented Component Unit School Board Capital Lease: (Continued)

Present value of future minimum lease payments:

Year Ending June 30,	Capital Leases
2020	\$ 319,362
2021	319,362
2022	214,767
2023	93,161
Total minimum lease payments	\$ 946,652
Less: amount representing interest	(44,490)
Present value of future minimum lease payments	<u>\$ 902,162</u>

**Note 12-Pension Plans:**

*Aggregate Pension Information*

The following is a summary of deferred outflows, deferred inflows, net pension liabilities (assets), and pension expense for the year ended June 30, 2019.

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 1,041,194	\$ 2,471,139	\$ 533,986	\$ (302,409)	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	263,491	89,054	1,059,203	(52,330)
School Board Professional	-	-	-	-	4,928,989	6,325,000	39,152,000	1,972,000
Totals	<u>\$ 1,041,194</u>	<u>\$ 2,471,139</u>	<u>\$ 533,986</u>	<u>\$ (302,409)</u>	<u>\$ 5,192,480</u>	<u>\$ 6,414,054</u>	<u>\$ 40,211,203</u>	<u>\$ 1,919,670</u>

*Plan Description*

All full-time, salaried permanent employees of the County and (nonprofessional) employees of public school divisions are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

**Note 12-Pension Plans: (Continued)**

***Benefit Structures***

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

**Note 12-Pension Plans: (Continued)*****Average Final Compensation and Service Retirement Multiplier***

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

***Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits***

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

***Employees Covered by Benefit Terms***

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	121	157
Inactive members:		
Vested inactive members	46	38
Non-vested inactive members	69	62
Inactive members active elsewhere in VRS	86	33
Total inactive members	201	133
Active members	268	132
Total covered employees	590	422



**Note 12-Pension Plans: (Continued)**

***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The County's contractually required employer contribution rate for the year ended June 30, 2019 was 8.75% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,041,194 and \$1,090,914 for the years ended June 30, 2019 and June 30, 2018, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2019 was 8.40% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$226,946 and \$235,211 for the years ended June 30, 2019 and June 30, 2018, respectively.

***Net Pension Liability***

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2018. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2017, and rolled forward to the measurement date of June 30, 2018.

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**Note 12-Pension Plans: (Continued)*****Actuarial Assumptions - General Employees***

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

**Mortality rates:**

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

**Note 12-Pension Plans: (Continued)*****Actuarial Assumptions - General Employees (Continued)***

## Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

## Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

## All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

***Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits***

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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**Note 12-Pension Plans: (Continued)**

***Actuarial Assumptions - Public Safety Employees (Continued)***

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

**Mortality rates:**

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

All Others (Non 10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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**Note 12-Pension Plans: (Continued)*****Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)***

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

**Largest 10 - Hazardous Duty:**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

**All Others (Non 10 Largest) - Hazardous Duty:**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

**Note 12-Pension Plans: (Continued)*****Long-Term Expected Rate of Return***

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Note 12-Pension Plans: (Continued)

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019Note 12-Pension Plans: (Continued)*Changes in Net Pension Liability*

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 48,486,991	\$ 45,977,877	\$ 2,509,114
Changes for the year:			
Service cost	\$ 1,463,887	\$ -	\$ 1,463,887
Interest	3,321,046	-	3,321,046
Differences between expected and actual experience	(1,733,361)	-	(1,733,361)
Contributions - employer	-	1,090,914	(1,090,914)
Contributions - employee	-	570,181	(570,181)
Net investment income	-	3,397,764	(3,397,764)
Benefit payments, including refunds of employee contributions	(2,086,947)	(2,086,947)	-
Administrative expenses	-	(29,123)	29,123
Other changes	-	(3,036)	3,036
Net changes	\$ 964,625	\$ 2,939,753	\$ (1,975,128)
Balances at June 30, 2018	\$ 49,451,616	\$ 48,917,630	\$ 533,986



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019Note 12-Pension Plans: (Continued)*Changes in Net Pension Liability (Continued)*

	Component Unit-School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 12,414,785	\$ 11,337,352	\$ 1,077,433
Changes for the year:			
Service cost	\$ 241,309	\$ -	\$ 241,309
Interest	841,348	-	841,348
Differences between expected and actual experience	75,013	-	75,013
Contributions - employer	-	235,211	(235,211)
Contributions - employee	-	121,316	(121,316)
Net investment income	-	827,465	(827,465)
Benefit payments, including refunds of employee contributions	(791,053)	(791,053)	-
Administrative expenses	-	(7,364)	7,364
Other changes	-	(728)	728
Net changes	\$ 366,617	\$ 384,847	\$ (18,230)
Balances at June 30, 2018	\$ 12,781,402	\$ 11,722,199	\$ 1,059,203

Note 12-Pension Plans: (Continued)*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the County and Component Unit School Board (nonprofessional) using the discount rate of 7.00%, as well as what the County's and Component Unit School Board's (nonprofessional) net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County's			
Net Pension Liability (Asset)	\$ 7,139,421	\$ 533,986	\$ (4,929,701)
Component Unit School Board's (nonprofessional)			
Net Pension Liability	\$ 2,418,454	\$ 1,059,203	\$ (95,386)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**Note 12-Pension Plans: (Continued)*****Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2019, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$(302,409) and \$(52,330), respectively. At June 30, 2019, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit-School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,917,233	\$ 36,545	\$ -
Changes of assumptions	-	125,696	-	-
Net difference between projected and actual earnings on pension plan investments	-	428,210	-	89,054
Employer contributions subsequent to the measurement date	1,041,194	-	226,946	-
Total	<u>\$ 1,041,194</u>	<u>\$ 2,471,139</u>	<u>\$ 263,491</u>	<u>\$ 89,054</u>

\$1,041,194 and \$226,946 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2020	\$ (727,230)	\$ 81,036
2021	(778,724)	(6,020)
2022	(926,118)	(117,655)
2023	(39,067)	(9,870)
Thereafter	-	-

**Note 12-Pension Plans: (Continued)**

***Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**Component Unit School Board (professional)**

***Plan Description***

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information related to the plan description included in the first section of this note.

***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Division's contractually required employer contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school divisions were \$4,295,989 and \$4,305,859 for the years ended June 30, 2019 and June 30, 2018, respectively.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2019, the school division reported a liability of \$39,152,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was 0.33293% as compared to 0.34343% at June 30, 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019Note 12-Pension Plans: (Continued)Component Unit School Board (professional) (Continued)*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

For the year ended June 30, 2019, the school division recognized pension expense of \$1,972,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 3,348,000
Changes of assumptions	467,000	-
Net difference between projected and actual earnings on pension plan investments	-	830,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	166,000	2,147,000
Employer contributions subsequent to the measurement date	4,295,989	-
Total	<u>\$ 4,928,989</u>	<u>\$ 6,325,000</u>

\$4,295,989 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in fiscal the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2020	\$ (1,080,000)
2021	(1,483,000)
2022	(2,083,000)
2023	(769,000)
Thereafter	(277,000)

Note 12-Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

*Actuarial Assumptions*

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2017 using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.95%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 75 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

Note 12-Pension Plans: (Continued)Component Unit School Board (professional) (Continued)*Actuarial Assumptions (Continued)*

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

*Net Pension Liability*

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2018, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$ 46,679,555
Plan Fiduciary Net Position	34,919,563
Employers' Net Pension Liability (Asset)	<u>\$ 11,759,992</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

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**Note 12-Pension Plans: (Continued)****Component Unit School Board (professional) (Continued)*****Long-Term Expected Rate of Return***

The long-term expected rate of return and discount rate information previously described also apply to this plan.

***Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the school division's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 59,806,000	\$ 39,152,000	\$ 22,056,000

***Pension Plan Fiduciary Net Position***

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**Note 13-Aggregate OPEB Information:**

The following is a summary of deferred outflows, deferred inflows, net OPEB liabilities (assets), and OPEB expense for the year ended June 30, 2019.

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:								
Group Life Insurance Program:								
County	\$ 111,906	\$ 121,000	\$ 914,000	\$ -	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	28,681	19,000	204,000	3,000
School Board Professional	-	-	-	-	247,643	276,000	2,133,000	-
School Board Nonprofessional Health Insurance Credit Program	-	-	-	-	29,329	6,000	175,000	17,000
Teacher Health Insurance Credit Program	-	-	-	-	331,495	213,000	4,191,000	317,000
School Stand-Alone Plan	-	-	-	-	335,000	1,020,000	4,565,000	322,000
Totals	\$ 111,906	\$ 121,000	\$ 914,000	\$ -	\$ 972,148	\$ 1,534,000	\$ 11,268,000	\$ 659,000

**Note 14-Group Life Insurance (GLI) Program (OPEB Plan):***Plan Description*

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

*Eligible Employees*

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

**Note 14-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

***Benefit Amounts***

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

***Contributions***

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% ( $1.31\% \times 60\%$ ) and the employer component was 0.52% ( $1.31\% \times 40\%$ ). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the GLI Program from the County were \$63,906 and \$59,499 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the Group Life Insurance Program from the Component Unit School Board (nonprofessional) were \$14,681 and \$13,323 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the Group Life Insurance Program from the Component Unit School Board (professional) were \$143,643 and \$138,836 for the years ended June 30, 2019 and June 30, 2018, respectively.

***GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB***

At June 30, 2019, the County reported a liability of \$914,000 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2019, the Component Unit School Board (nonprofessional) reported a liability of \$204,000 for its proportionate share of the Net GLI OPEB Liability.

**Note 14-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

***GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (Continued)***

At June 30, 2019, the Component Unit School Board (professional) reported a liability of \$2,133,000 for its proportionate share of the Net GLI OPEB Liability.

The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2018, the County's proportion was 0.06019% as compared to 0.06286% at June 30, 2017.

At June 30, 2018, the Component Unit School Board (nonprofessional) proportion was 0.01347% as compared to 0.01340% at June 30, 2017.

At June 30, 2018, the Component Unit School Board (professional) proportion was 0.14041% as compared to 0.14595% at June 30, 2017.

For the year ended June 30, 2019, the County recognized GLI OPEB expense of \$0. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

For the year ended June 30, 2019, the Component Unit School Board (nonprofessional) recognized GLI OPEB expense of \$3,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

For the year ended June 30, 2019, the Component Unit School Board (professional) recognized GLI OPEB expense of \$0. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**Note 14-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*****GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (Continued)***

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component Unit School Board (Nonprofessional)		Component Unit School Board (Professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 45,000	\$ 16,000	\$ 10,000	\$ 3,000	\$ 104,000	\$ 38,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	30,000	-	7,000	-	69,000
Change in assumptions	-	38,000	-	9,000	-	89,000
Changes in proportion	3,000	37,000	4,000	-	-	80,000
Employer contributions subsequent to the measurement date	63,906	-	14,681	-	143,643	-
Total	<u>\$ 111,906</u>	<u>\$ 121,000</u>	<u>\$ 28,681</u>	<u>\$ 19,000</u>	<u>\$ 247,643</u>	<u>\$ 276,000</u>

\$63,906, \$14,681, and \$143,643 reported as deferred outflows of resources related to the GLI OPEB resulting from the County's, Component Unit School Board (Nonprofessional), and Component Unit School Board (Professional), respectively, contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (Nonprofessional)	Component Unit School Board (Professional)
2020	\$ (20,000)	\$ (2,000)	\$ (46,000)
2021	(20,000)	(2,000)	(46,000)
2022	(20,000)	(2,000)	(45,000)
2023	(12,000)	-	(26,000)
2024	(4,000)	1,000	(7,000)
Thereafter	3,000	-	(2,000)

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**Note 14-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*****Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

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**Note 14-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

***Actuarial Assumptions: (Continued)***

**Mortality Rates - Teachers**

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

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**Note 14-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

***Actuarial Assumptions: (Continued)***

**Mortality Rates - Largest Ten Locality Employers - General Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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**Note 14-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

***Actuarial Assumptions: (Continued)***

**Mortality Rates - Non-Largest Ten Locality Employers - General Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%



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**Note 14-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

***Actuarial Assumptions: (Continued)***

**Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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**Note 14-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

***Actuarial Assumptions: (Continued)***

**Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and Retirement Rates	Updated to a more current mortality table - RP-2014 projected to 2020
Withdrawal Rates	Increased age 50 rates and lowered rates at older ages
Disability Rates	Adjusted termination rates to better fit experience at each age and service year
Salary Scale	Adjusted rates to better match experience
Line of Duty Disability	No change
	Decreased rate from 60% to 45%

**Note 14-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*****NET GLI OPEB Liability***

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

		<b>Group Life Insurance OPEB Program</b>
Total GLI OPEB Liability	\$	3,113,508
Plan Fiduciary Net Position		1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,518,735</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

**Note 14-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*****Long-Term Expected Rate of Return***

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

\*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

***Discount Rate***

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

**Note 14-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*****Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate***

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 1,195,000	\$ 914,000	\$ 686,000
Component Unit-School Board (Nonprofessional) proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 267,000	\$ 204,000	\$ 153,000
Component Unit-School Board (Professional) proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 2,787,000	\$ 2,133,000	\$ 1,601,000

***Group Life Insurance Program Fiduciary Net Position***

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 15-Health Insurance Credit (HIC) Program (OPEB Plan):**

**Component Unit School Board (Nonprofessional)**

***Plan Description***

The Political Subdivision Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Program upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision HIC Program OPEB, including eligibility, coverage and benefits is described below:

***Eligible Employees***

The Political Subdivision Retiree HIC Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

***Benefit Amounts***

The Political Subdivision Retiree HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

***HIC Program Notes***

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

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**Note 15-Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)****Component Unit School Board (Nonprofessional) (Continued)*****Employees Covered by Benefit Terms***

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	29
Inactive members:	
Vested inactive members	2
Total inactive members	<u>31</u>
Active members	<u>132</u>
Total covered employees	<u><u>163</u></u>

***Contributions***

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Component Unit School Board's (Nonprofessional) contractually required employer contribution rate for the year ended June 30, 2019 was 0.72% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Component Unit School Board (Nonprofessional) to the Health Insurance Credit Program were \$20,329 and \$16,654 for the years ended June 30, 2019 and June 30, 2018, respectively.

***Net HIC OPEB Liability***

The Component Unit School Board's (Nonprofessional) net HIC OPEB liability was measured as of June 30, 2018. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

**Note 15-Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**

**Component Unit School Board (Nonprofessional) (Continued)**

***Actuarial Assumptions***

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation:	
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.

**Mortality Rates - Largest Ten Locality Employers - General Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

**Post-Disablement:**

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.



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**Note 15-Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)****Component Unit School Board (Nonprofessional) (Continued)*****Actuarial Assumptions: (Continued)*****Mortality Rates - Largest Ten Locality Employers - General Employees (Continued)**

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

**Mortality Rates - Non-Largest Ten Locality Employers - General Employees****Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

**Post-Disablement:**

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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Note 15-Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)Component Unit School Board (Nonprofessional) (Continued)*Actuarial Assumptions: (Continued)***Mortality Rates - Non-Largest Ten Locality Employers - General Employees (Continued)**

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Note 15-Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)Component Unit School Board (Nonprofessional) (Continued)*Long-Term Expected Rate of Return*

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

\*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Note 15-Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Component Unit School Board (Nonprofessional) (Continued)

*Discount Rate*

The discount rate used to measure the total HIC OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Note 15-Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)Component Unit School Board (Nonprofessional) (Continued)*Changes in Net HIC OPEB Liability*

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 225,000	\$ 61,000	\$ 164,000
Changes for the year:			
Service cost	\$ 6,000	\$ -	\$ 6,000
Interest	15,000	-	15,000
Differences between expected and actual experience	11,000	-	11,000
Contributions - employer	-	17,000	(17,000)
Net investment income	-	4,000	(4,000)
Benefit payments	(15,000)	(15,000)	-
Other changes	(1,000)	(1,000)	-
Net changes	\$ 16,000	\$ 5,000	\$ 11,000
Balances at June 30, 2018	\$ 241,000	\$ 66,000	\$ 175,000

**Note 15-Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)****Component Unit School Board (Nonprofessional) (Continued)*****Sensitivity of the Component Unit School Board's (Nonprofessional) HIC Net OPEB Liability to Changes in the Discount Rate***

The following presents the Component Unit School Board's (Nonprofessional) HIC Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the Component Unit School Board's (Nonprofessional) net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Component Unit School Board (Nonprofessional)			
Net HIC OPEB Liability	\$ 199,000	\$ 175,000	\$ 154,000

***HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Program OPEB***

For the year ended June 30, 2019, the Component Unit School Board (Nonprofessional) recognized HIC Program OPEB expense of \$17,000. At June 30, 2019, the Component Unit School Board (Nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to the Component Unit School Board's (Nonprofessional) HIC Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience \$	9,000	\$ -
Net difference between projected and actual earnings on HIC OPEB plan investments	-	1,000
Change in assumptions	-	5,000
Employer contributions subsequent to the measurement date	20,329	-
Total	\$ 29,329	\$ 6,000

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**Note 15-Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)****Component Unit School Board (Nonprofessional) (Continued)*****HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Program OPEB (Continued)***

\$20,329 reported as deferred outflows of resources related to the HIC OPEB resulting from the Component Unit School Board's (Nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

**Year Ended June 30**

2020	\$	-
2021		-
2022		-
2023		3,000
2024		-
Thereafter		-

***HIC Program Plan Data***

Information about the VRS Political Subdivision HIC Program is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 16-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):*****Plan Description***

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Program. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

**Note 16-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**

***Plan Description (Continued)***

The specific information for the Teacher HIC Program OPEB, including eligibility, coverage, and benefits is described below:

***Eligible Employees***

The Teacher Employee Retiree HIC Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

***Benefit Amounts***

The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

***HIC Program Notes***

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

***Contributions***

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Program were \$331,495 and \$328,391 for the years ended June 30, 2019 and June 30, 2018, respectively.



**Note 16-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*****Teacher Employee HIC Program OPEB Liabilities, Teacher Employee HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Program OPEB***

At June 30, 2019, the school division reported a liability of \$4,191,000 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee HIC Program was 0.3301% as compared to 0.3411% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher HIC Program OPEB expense of \$317,000. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 20,000
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	3,000
Change in assumptions	-	37,000
Change in proportion	-	153,000
Employer contributions subsequent to the measurement date	331,495	-
Total	\$ 331,495	\$ 213,000

**Note 16-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*****Teacher Employee HIC Program OPEB Liabilities, Teacher Employee HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Program OPEB (Continued)***

\$331,495 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

**Year Ended June 30**

2020	\$	(36,000)
2021		(36,000)
2022		(36,000)
2023		(34,000)
2024		(35,000)
Thereafter		(36,000)

***Actuarial Assumptions***

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation:	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, including inflation*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

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**Note 16-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**

***Actuarial Assumptions: (Continued)***

**Mortality Rates - Teachers**

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

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**Note 16-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*****Net Teacher Employee HIC OPEB Liability***

The net OPEB liability (NOL) for the Teacher Employee HIC Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,381,313
Plan Fiduciary Net Position		111,639
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,269,674</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		8.08%

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

**Note 16-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*****Long-Term Expected Rate of Return***

The long-term expected rate of return on the VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

\*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

***Discount Rate***

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2018, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

**Note 16-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*****Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate***

The following presents the school division's proportionate share of the VRS Teacher Employee HIC Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 4,681,000	\$ 4,191,000	\$ 3,774,000

***Teacher Employee HIC OPEB Fiduciary Net Position***

Detailed information about the VRS Teacher Employee HIC Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 17-Other Postemployment Benefits - Health Insurance:*****Plan Description***

In addition to the pension benefits described in Note 12, the School Board administers a single-employer defined benefit healthcare plan, The Botetourt County Public Schools Post Retirement Health Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board's pension plans. The plan does not issue a publicly available financial report.

***Benefits Provided***

Postemployment benefits are provided to eligible retirees include health insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. An eligible School Board retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have 10 years of service with the School Board and the employee must be eligible to retire from the School Board under the Virginia Retirement System. The benefits, employee contributions and the employer contributions are governed by the School Board and can be amended through School Board action. The plan is closed to new entrants.

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**Note 17-Other Postemployment Benefits - Health Insurance: (Continued)*****Plan Membership***

At July 1, 2018 (measurement date), the following employees were covered by the benefit terms:

Total active employees	651
Total retirees with coverage	39
Total	<u>690</u>

***Contributions***

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2019 was \$335,000.

***Total OPEB Liability***

The School Board's total OPEB liability was measured as of July 1, 2018. The total OPEB liability was determined by an actuarial valuation performed as of July 1, 2018.

***Actuarial Assumptions***

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	Future salaries are assumed to increase by 2.50% annually.
Healthcare Cost Trend Rates	7.25% for pre-medicare and 5.25% for post-medicare for fiscal year end 2019, decreasing 0.25% per year to an ultimate rate of 5.00%
Discount Rate	3.62%, which represents the Municipal GO AA 20-year yield curve rate as of June 29, 2018

RP-2014 Mortality Table, fully generational with base year 2006, projected two-dimensional mortality improvement scale MP-2018.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

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**Note 17-Other Postemployment Benefits - Health Insurance: (Continued)***Changes in Total OPEB Liability*

	Component Unit School Board Total OPEB Liability
Beginning Balance	\$ 5,608,000
Changes for the year:	
Service cost	228,000
Interest	202,000
Difference between expected and actual experience	(725,000)
Benefit payments	(335,000)
Other changes	(413,000)
Net changes	(1,043,000)
Ending Balance	\$ 4,565,000

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62%) or one percentage point higher (4.62%) than the current discount rate:

Rate		
1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
\$ 5,303,000	\$ 4,565,000	\$ 3,978,000



**Note 17-Other Postemployment Benefits - Health Insurance: (Continued)*****Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.25% for Pre-Medicare and 4.25% for Post-Medicare decreasing by 0.25% annually to an ultimate rate of 4.00%) or one percentage point higher (8.25% for Pre-Medicare and 6.25% for Post-Medicare decreasing by 0.25% annually to an ultimate rate of 6.00%) than the current healthcare cost trend rates:

Rates		
	Healthcare Cost	
1% Decrease (as noted above)	Trend (as noted above)	1% Increase (as noted above)
\$ 3,871,000	\$ 4,565,000	\$ 5,467,000

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources***

For the year ended June 30, 2019, the School Board recognized OPEB expense in the amount of \$322,000. At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 650,000
Changes in assumptions	-	370,000
Employer contributions subsequent to the measurement date	335,000	-
Total	\$ <u>335,000</u>	\$ <u>1,020,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**Note 17-Other Postemployment Benefits - Health Insurance: (Continued)**

\$335,000 reported as deferred outflows of resources related to OPEB resulting from the Component Unit School Board's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB will be recognized in the OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ (118,000)
2021	(118,000)
2022	(118,000)
2023	(118,000)
2024	(548,000)
Thereafter	-

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

**Note 18-Line of Duty Act (LODA) (OPEB Benefits):**

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by Title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The County has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the County to VACORP. VACORP assumes all liability for the County's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2019 was \$56,590.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**Note 19-Unearned and Deferred/Unavailable Revenue:**

Unearned and deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis of accounting, assessment for future periods are deferred.

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Deferred/Unavailable revenue:		
Unavailable property tax revenue representing uncollected property tax billings are not available for the funding of current expenditures	\$ -	\$ 799,367
Prepaid property taxes due after June 30 but paid in advance by taxpayers	244,478	244,478
Unspent Governor's Opportunity Funds received during the current and previous fiscal year	2,300,000	2,300,000
	<u>\$ 2,544,478</u>	<u>\$ 3,343,845</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**Note 20-Capital Assets:**

Capital asset activity for the year ended June 30, 2019 was as follows:

## Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 12,180,238	\$ -	\$ (142,257)	\$ 12,037,981
Construction in progress	1,866,181	2,500,001	(1,703,399)	2,662,783
Total capital assets not being depreciated	<u>\$ 14,046,419</u>	<u>\$ 2,500,001</u>	<u>\$ (1,845,656)</u>	<u>\$ 14,700,764</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 71,101,506	\$ 607,049	\$ (6,970,525)	\$ 64,738,030
Machinery and equipment	16,704,598	2,934,870	(52,403)	19,587,065
Total capital assets being depreciated	<u>\$ 87,806,104</u>	<u>\$ 3,541,919</u>	<u>\$ (7,022,928)</u>	<u>\$ 84,325,095</u>
Accumulated depreciation:				
Buildings and improvements	\$ (28,237,845)	\$ (1,876,060)	\$ 6,882,909	\$ (23,230,996)
Machinery and equipment	(11,292,548)	(1,422,483)	52,403	(12,662,628)
Total accumulated depreciation	<u>\$ (39,530,393)</u>	<u>\$ (3,298,543)</u>	<u>\$ 6,935,312</u>	<u>\$ (35,893,624)</u>
Total capital assets being depreciated, net	<u>\$ 48,275,711</u>	<u>\$ 243,376</u>	<u>\$ (87,616)</u>	<u>\$ 48,431,471</u>
Governmental activities capital assets, net	<u>\$ 62,322,130</u>	<u>\$ 2,743,377</u>	<u>\$ (1,933,272)</u>	<u>\$ 63,132,235</u>

During the fiscal year, the County transferred assets to the School Board with an original cost of \$6,545,000 and accumulated depreciation of \$6,545,000 (net book value of \$0).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019Note 20-Capital Assets: (Continued)

## Primary Government: (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government administration	\$ 243,350
Judicial administration	15,583
Public safety	1,640,368
Public works	115,691
Health and welfare	1,262
Education	953,371
Parks, recreation, and culture	323,487
Community development	5,431
Total depreciation expense-governmental activities	<u>\$ 3,298,543</u>

Capital asset activity for the School Board for the year ended June 30, 2019 was as follows:

## Discretely Presented Component Unit School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,115,631	\$ -	\$ (493,903)	\$ 1,621,728
Total capital assets not being depreciated	<u>\$ 2,115,631</u>	<u>\$ -</u>	<u>\$ (493,903)</u>	<u>\$ 1,621,728</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 45,901,763	\$ 6,887,850	\$ -	\$ 52,789,613
Machinery and equipment	9,631,838	548,219	(371,312)	9,808,745
Total capital assets being depreciated	<u>\$ 55,533,601</u>	<u>\$ 7,436,069</u>	<u>\$ (371,312)</u>	<u>\$ 62,598,358</u>
Accumulated depreciation:				
Buildings and improvements	\$ (30,078,864)	\$ (7,807,463)	\$ -	\$ (37,886,327)
Machinery and equipment	(7,382,386)	(500,075)	368,268	(7,514,193)
Total accumulated depreciation	<u>\$ (37,461,250)</u>	<u>\$ (8,307,538)</u>	<u>\$ 368,268</u>	<u>\$ (45,400,520)</u>
Total capital assets being depreciated, net	<u>\$ 18,072,351</u>	<u>\$ (871,469)</u>	<u>\$ (3,044)</u>	<u>\$ 17,197,838</u>
School Board capital assets, net	<u>\$ 20,187,982</u>	<u>\$ (871,469)</u>	<u>\$ (496,947)</u>	<u>\$ 18,819,566</u>

During the fiscal year, the County transferred assets to the School Board with an original cost of \$6,545,000 and accumulated depreciation of \$6,545,000 (net book value of \$0).

**Note 21-Risk Management:**

The County and its Component Unit School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County participates with other localities in a public entity risk pool for their coverage of general liability, property, auto insurance and workers compensation with the Virginia Association of Counties Risk Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County pays the Virginia Association of Counties Risk Pool contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available funds and/or excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Component Unit School Board participates with other localities in a public entity risk pool for their coverage of general liability, property, auto insurance and workers compensation with the Virginia Municipal League Risk Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The School Board pays the Virginia Municipal League Risk Pool contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, and depletion of all available funds and/or excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County and its Component Unit School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 22-Contingent Liabilities:**

Federal programs in which the County and its component units participate were audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award*. Pursuant to the provisions of this circular, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

**Note 23-Surety Bonds:**

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

Tommy Moore, Clerk of the Circuit Court	\$ 270,000
William P. Arney, Treasurer	500,000
Rodney Spickard, Commissioner of the Revenue	3,000
Ronald N. Sprinkle, Sheriff	30,000
All constitutional officers' employees: blanket bond	50,000

Selective Insurance Company of America:

Gary Larrowe, County Administrator	\$ 250,000
David Moorman, Deputy County Administrator	150,000
Anthony Zerrilla, Finance Manager	150,000
Karen Dunbar, Bookkeeper	150,000
Veronica Ramsey, Payroll	150,000
All administrative employees	50,000
All Social Services employees: blanket bond	100,000

United States Fidelity and Guaranty Company-Surety:

Board of Supervisors:

I. Ray Sloan	\$ 1,000
Richard G. Bailey	1,000
Dr. Donald M. (Mac) Scothorn	1,000
Billy W. Martin, Sr.	1,000
Stephen P. Clinton	1,000

Component Unit School Board:

The Continental Insurance Company:

Betty Holland, Clerk of the School Board	\$ 10,000
All School Board employees: blanket bond	10,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**Note 24-Landfill Closure and Post-closure Care Cost:**

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. On October 1, 2018, the County signed a contract with County Waste which turned over all rights of the landfill to County Waste. As such, County Waste will operate and receive any fees related to the remaining capacity of the landfill. Under the contract, County Waste will be responsible for paying all closure costs and the County is responsible for paying all post-closure care and corrective action costs related to the landfill. At June 30, 2019, the estimated post-closure care and correction action costs are estimated to be \$3,106,162 based on 100% usage of the landfill. Actual costs for post-closure monitoring and correction action costs may change due to inflation, deflation, changes in technology or changes in applicable laws or regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill post-closure costs. The County demonstrated financial assurance requirements for post-closure care and corrective action costs through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

**Note 25-Arbitrage Rebate Compliance:**

As of June 30, 2019 and for the year then ended, the County was not liable for any amounts due under current rules governing arbitrage earnings.

**Note 26-Contingencies and Commitments:**

The County had the following construction commitment at June 30, 2019:

<u>Project</u>	<u>Original Contract Amount</u>	<u>Outstanding at June 30, 2019</u>
County		
Colonial Elementary School Mass Grading	\$ 894,050	\$ 6,545



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019Note 27-Self Health Insurance:

The County established a limited risk management program for health insurance. Premiums are paid into the health plan fund from the County and are available to pay claims, and administrative costs of the program. During the fiscal year 2019, a total of \$4,143,154 was paid in benefits and administrative costs. The risk assumed by the County is based on the number of participants in the program. The risk varies by the number of participants and their specific plan type (Keycare, Bluecare, etc.). Incurred but not reported claims of \$436,760 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions. Changes in the claims liability for the current and prior two fiscal years are as follows:

Fiscal Year	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal Year
2018-19	\$ 501,716	\$ 4,078,198	\$ (4,143,154)	\$ 436,760
2017-18	418,573	3,368,661	(3,285,518)	501,716
2016-17	489,996	2,984,854	(3,056,277)	418,573

Component Unit School Board

The School Board established a limited risk management program for health insurance. Premiums are paid into the health plan fund from the School Board and are available to pay claims, and administrative costs of the program. During the fiscal year 2019, a total of \$6,283,486 was paid in benefits and administrative costs. The risk assumed by the School Board is based on the number of participants in the program. The risk varies by the number of participants and their specific plan type (Keycare, Bluecare, etc.). Incurred but not reported claims of \$416,000 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Activity of the School Board self-insurance program is reported within the School Operating Fund. Changes in the claims liability for the current and prior fiscal year are as follows:

Fiscal Year	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal Year
2018-19	\$ 676,995	\$ 6,022,491	\$ (6,283,486)	\$ 416,000
2017-18	620,018	5,992,671	(5,935,694)	676,995
2016-17	1,020,241	5,855,229	(6,255,452)	620,018

COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

**Note 28-Litigation:**

At June 30, 2019, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions on pending matters not be favorable.

**Note 29- Restricted Net Position/Fund Balance:**

	Governmental Activities	Component Unit School Board
Restricted Net Position:		
Judicial		
Law Library	\$ 86,988	\$ -
Public safety		
Property Seizure	50,731	-
E-Summons Program	35,056	-
Traffic Safety Program	240,988	-
Courtroom Security	106,414	-
Criminal Processing	5,807	-
Fire and EMS Funds	11,385	-
Public works		
Courthouse Maintenance	22,437	-
Parks, recreation, and cultural		
Van Program	23,677	-
Greenfield Preservation Area	10,120	-
Cafeteria Operations	-	122,145
Total Restricted Net Position	<u>\$ 593,603</u>	<u>\$ 122,145</u>
	<u>General Fund</u>	<u>School Operating Fund</u>
Restricted Fund Balance:		
Restricted Net Position Above	\$ 593,603	\$ 122,145
Unspent School Construction Debt Proceeds	21,192,143	-
Unspent Capital Lease Proceeds	-	82,764
Total Restricted Fund Balance	<u>\$ 21,785,746</u>	<u>\$ 204,909</u>
	<u>General Fund</u>	<u>School Operating Fund</u>
Committed Fund Balance:		
Local Economic Incentives	\$ 800,000	\$ -

**Note 30-Adoption of Accounting Principle:**

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

**Note 31-Upcoming Pronouncements:**

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

**Note 32-Special Item - Landfill Use Agreement:**

On October 1, 2018, the County entered into an agreement with County Waste of Southwest Virginia, LLC (County Waste) to operate the County's landfill. Terms of the agreement allow County Waste to charge and retain user fees related to the Landfill and permit County Waste to construct a transfer site on property currently owned by County Waste to serve County residents going forward. In exchange for the aforementioned, County Waste has agreed to assume 100% of the closure cost associated with the County Landfill. Accordingly, the County has recorded a special item in the accompanying financial statements of \$3,059,966 to report this transaction. Said amount represents the net gain on the distribution of landfill rights to County Waste. Such gain is largely created by a corresponding reduction in the County's estimated landfill closure liability, which was assumed by County Waste.

**Note 33-Tax Abatement Agreements:**

The County entered into an agreement with Ballast Point Brewing, Inc. (Ballast Point) to refund local real estate and machinery and tools taxes for fiscal years 2018 through 2022. Terms of the agreement allow Ballast Point to request(s) a return of taxes paid up to 75% of the amount remitted for the first three years of the agreement and 50% for the final two years of the agreement. For calculation purposes, the rebate(s) are based annually on two metrics (jobs and capital investment). Annually, one half of the rebate is based on the number of jobs created at the facility as compared to a target of 188 total jobs. The other half of the rebate is based on the total capital investment at the facility as compared to a target of \$47.8 million. Payments to Ballast Point are contingent on the completion and filing of a performance grant application within two months of each fiscal year close. To date, the County has not remitted any payments and there are no payments currently due to Ballast Point.

**Note 34 - Incentive Agreements:**

The County has entered into certain local incentive agreements with businesses to encourage economic development in the County. At year end, funds totaling \$800,000 have been committed to fund these incentive agreements. The incentive agreements contain performance measures that must be achieved by the business(es) prior to the release of funds. At year end, no amounts were currently due and/or payable under the current incentive agreements.

## Required Supplementary Information

County of Botetourt, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<b>REVENUES</b>				
General property taxes	\$ 40,034,500	\$ 40,545,068	\$ 40,967,373	\$ 422,305
Other local taxes	7,834,300	7,834,300	8,099,174	264,874
Permits, privilege fees, and regulatory licenses	379,500	379,500	525,329	145,829
Fines and forfeitures	105,000	105,000	64,213	(40,787)
Revenue from the use of money and property	708,100	708,100	1,787,364	1,079,264
Charges for services	470,856	470,856	884,845	413,989
Miscellaneous	274,440	274,440	729,999	455,559
Recovered costs	1,910,991	1,910,991	2,128,298	217,307
Intergovernmental	11,530,536	11,530,536	12,802,800	1,272,264
Total revenues	<u>\$ 63,248,223</u>	<u>\$ 63,758,791</u>	<u>\$ 67,989,395</u>	<u>\$ 4,230,604</u>
<b>EXPENDITURES</b>				
General government administration:				
Board of supervisors	\$ 261,767	\$ 269,264	\$ 267,603	\$ 1,661
County administrator	447,235	505,214	408,535	96,679
Deputy administrators	418,777	428,034	402,458	25,576
Central garage	86,156	91,042	81,043	9,999
Commissioner of revenue	407,002	418,166	390,779	27,387
Assessor	211,000	211,000	170,941	40,059
Central purchasing	110,058	122,712	117,012	5,700
Treasurer	488,734	509,449	495,737	13,712
Management information systems	1,042,161	1,083,036	962,226	120,810
Financial services	302,056	306,199	266,030	40,169
Nondepartmental	873,520	158,545	13,904	144,641
Electoral board/registrar	281,537	348,207	336,963	11,244
Total general government administration	<u>\$ 4,930,003</u>	<u>\$ 4,450,868</u>	<u>\$ 3,913,231</u>	<u>\$ 537,637</u>
Judicial administration:				
Circuit court	\$ 59,150	\$ 60,984	\$ 58,953	\$ 2,031
General district court	25,174	31,056	21,870	9,186
Magistrate	2,510	2,761	2,611	150
Clerk of the circuit court	659,880	690,638	644,846	45,792
Commonwealth's attorney	803,857	811,256	788,090	23,166
Total judicial administration	<u>\$ 1,550,571</u>	<u>\$ 1,596,695</u>	<u>\$ 1,516,370</u>	<u>\$ 80,325</u>
Public safety:				
Sheriff	\$ 5,020,315	\$ 5,641,727	\$ 5,121,973	\$ 519,754
Fire departments and rescue squads	5,155,415	7,227,437	6,100,477	1,126,960
Emergency communications	284,769	263,769	248,402	15,367
County operated institutions - jail	4,386,740	4,615,844	4,394,045	221,799
Probation office	4,701	4,701	4,142	559
Juvenile detention	117,000	199,080	189,420	9,660
Building inspections	345,917	418,229	396,240	21,989
Animal control	607,291	654,684	605,707	48,977
Emergency services	-	-	-	-
Dispatch	832,553	896,997	864,534	32,463
Courtroom security	-	53,708	36,247	17,461
Total public safety	<u>\$ 16,754,701</u>	<u>\$ 19,976,176</u>	<u>\$ 17,961,187</u>	<u>\$ 2,014,989</u>

County of Botetourt, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
<b>EXPENDITURES (Continued)</b>				
Public works:				
Refuse collection and disposal	\$ 703,483	\$ 789,481	\$ 744,737	\$ 44,744
Public works	155,274	27,828	27,495	333
General properties	857,678	861,926	790,930	70,996
Total public works	\$ 1,716,435	\$ 1,679,235	\$ 1,563,162	\$ 116,073
Health and welfare:				
Supplement of local health department	\$ 329,252	\$ 313,329	\$ 313,329	\$ -
Mental health contribution	40,000	40,000	40,000	-
Welfare administration and programs	1,373,730	1,501,729	1,462,871	38,858
Comprehensive services act	1,262,556	1,377,560	1,324,866	52,694
Senior van program	84,593	84,792	73,626	11,166
Tax relief for the elderly	-	510,568	510,568	-
Other welfare programs	27,500	27,500	27,500	-
Total health and welfare	\$ 3,117,631	\$ 3,855,478	\$ 3,752,760	\$ 102,718
Education:				
Contribution to Community Colleges	\$ 42,140	\$ 42,140	\$ 42,140	\$ -
Contribution to County School Board	24,509,282	24,509,282	24,565,851	(56,569)
Total education	\$ 24,551,422	\$ 24,551,422	\$ 24,607,991	\$ (56,569)
Parks, recreation, and cultural:				
Supervision of parks and recreation	\$ 1,252,025	\$ 1,329,621	\$ 1,233,470	\$ 96,151
Sports complex	381,563	346,301	283,518	62,783
Contributions to cultural organizations	23,000	25,500	25,500	-
Greenfield Historical Resources	50,000	90,000	-	90,000
Library expenses	1,080,250	1,142,634	1,101,225	41,409
YMCA support	150,000	200,000	200,000	-
Total parks, recreation, and cultural	\$ 2,936,838	\$ 3,134,056	\$ 2,843,713	\$ 290,343
Community development:				
Economic development - contributions	\$ 267,376	\$ 267,376	\$ 267,376	\$ -
Environmental management	20,111	20,111	20,111	-
Contribution to Economic Development Authority	750,000	3,564,896	2,420,624	1,144,272
Industrial development	75,500	153,679	128,868	24,811
Community development	541,049	654,152	619,760	34,392
Economic development	515,436	659,964	439,915	220,049
Extension office	67,783	67,783	61,784	5,999
Total community development	\$ 2,237,255	\$ 5,387,961	\$ 3,958,438	\$ 1,429,523
Capital projects:				
VDOT revenue sharing	\$ -	\$ 22,270	\$ 22,270	\$ -
Website design	-	9,800	-	9,800
Greenfield education and training	48,000	48,000	-	48,000
Greenway project	100,000	175,984	33,979	142,005
Community recreation incentive program	35,000	40,000	26,541	13,459
Library incentive fund	10,000	10,000	-	10,000
Economic development program	150,000	142,144	16,430	125,714
Circuit courthouse complex	-	30,376	16,980	13,396
PC/laptop replacement	58,000	58,000	55,359	2,641

County of Botetourt, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>(Negative)</u>
<b>EXPENDITURES (Continued)</b>				
Capital projects: (Continued)				
Enterprise-wide software	\$ -	\$ 24,229	\$ 3,365	\$ 20,864
Library system-program study	-	20,000	-	20,000
Mobile radio replacement	110,000	323,399	90,867	232,532
Emergency communications project	75,000	150,000	142,547	7,453
Tax software	-	279,602	158,858	120,744
School construction costs	-	-	-	-
Cardiac monitor replacement plan	37,000	45,500	32,130	13,370
Leachate tank maintenance	6,000	47,890	-	47,890
E-summons purchases	-	154,654	107,428	47,226
Colonial elementary	-	22,516,050	1,803,018	20,713,032
Fire & EMS study	-	62,000	62,000	-
Greenfield preservation area	-	10,830	9,880	950
Greenfield ETC mobile class	-	391,955	178,027	213,928
County offices and circuit court relocation	-	106,321	75,138	31,183
General district courthouse	80,000	160,000	113,781	46,219
Total capital projects	\$ 709,000	\$ 24,829,004	\$ 2,948,598	\$ 21,880,406
Debt service:				
Principal retirement	\$ 2,825,486	\$ 2,792,974	\$ 2,789,648	\$ 3,326
Interest and other fiscal charges	1,918,881	1,918,881	1,918,881	-
Total debt service	\$ 4,744,367	\$ 4,711,855	\$ 4,708,529	\$ 3,326
Total expenditures	\$ 63,248,223	\$ 94,172,750	\$ 67,773,979	\$ 26,398,771
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (30,413,959)	\$ 215,416	\$ 30,629,375
Net change in fund balances	\$ -	\$ (30,413,959)	\$ 215,416	\$ 30,629,375
Fund balances - beginning	-	30,413,959	49,839,906	19,425,947
Fund balances - ending	\$ -	\$ -	\$ 50,055,322	\$ 50,055,322

Note 1: GAAP serves as the budgetary basis of accounting



County of Botetourt, Virginia  
Schedule of Changes in Net Pension Liability and Related Ratios  
Primary Government  
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
<b>Total pension liability</b>					
Service cost	\$ 1,463,887	\$ 1,444,742	\$ 1,506,669	\$ 1,473,286	\$ 1,439,117
Interest	3,321,046	3,207,090	3,057,284	2,912,687	2,727,789
Differences between expected and actual experience	(1,733,361)	(696,038)	(476,335)	(620,659)	-
Changes in assumptions	-	(246,558)	-	-	-
Benefit payments, including refunds of employee contributions	(2,086,947)	(2,075,626)	(1,819,459)	(1,579,811)	(1,471,211)
<b>Net change in total pension liability</b>	<b>\$ 964,625</b>	<b>\$ 1,633,610</b>	<b>\$ 2,268,159</b>	<b>\$ 2,185,503</b>	<b>\$ 2,695,695</b>
<b>Total pension liability - beginning</b>	<b>48,486,991</b>	<b>46,853,381</b>	<b>44,585,222</b>	<b>42,399,719</b>	<b>39,704,024</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 49,451,616</b>	<b>\$ 48,486,991</b>	<b>\$ 46,853,381</b>	<b>\$ 44,585,222</b>	<b>\$ 42,399,719</b>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 1,090,914	\$ 1,112,944	\$ 1,310,669	\$ 1,332,674	\$ 1,404,239
Contributions - employee	570,181	579,692	553,564	571,538	572,060
Net investment income	3,397,764	5,055,303	718,947	1,785,372	5,227,639
Benefit payments, including refunds of employee contributions	(2,086,947)	(2,075,626)	(1,819,459)	(1,579,811)	(1,471,211)
Administrative expense	(29,123)	(29,044)	(24,969)	(23,760)	(27,445)
Other	(3,036)	(4,493)	(303)	(377)	276
<b>Net change in plan fiduciary net position</b>	<b>\$ 2,939,753</b>	<b>\$ 4,638,776</b>	<b>\$ 738,449</b>	<b>\$ 2,085,636</b>	<b>\$ 5,705,558</b>
<b>Plan fiduciary net position - beginning</b>	<b>45,977,877</b>	<b>41,339,101</b>	<b>40,600,652</b>	<b>38,515,016</b>	<b>32,809,458</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 48,917,630</b>	<b>\$ 45,977,877</b>	<b>\$ 41,339,101</b>	<b>\$ 40,600,652</b>	<b>\$ 38,515,016</b>
<b>County's net pension liability - ending (a) - (b)</b>	<b>\$ 533,986</b>	<b>\$ 2,509,114</b>	<b>\$ 5,514,280</b>	<b>\$ 3,984,570</b>	<b>\$ 3,884,703</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>98.92%</b>	<b>94.83%</b>	<b>88.23%</b>	<b>91.06%</b>	<b>90.84%</b>
<b>Covered payroll</b>	<b>\$ 11,408,577</b>	<b>\$ 11,583,919</b>	<b>\$ 11,220,923</b>	<b>\$ 11,362,485</b>	<b>\$ 11,163,709</b>
<b>County's net pension liability as a percentage of covered payroll</b>	<b>4.68%</b>	<b>21.66%</b>	<b>49.14%</b>	<b>35.07%</b>	<b>34.80%</b>

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

County of Botetourt, Virginia  
Schedule of Changes in Net Pension Liability and Related Ratios  
Component Unit-School Board (nonprofessional)  
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
<b>Total pension liability</b>					
Service cost	\$ 241,309	\$ 244,440	\$ 246,453	\$ 297,919	\$ 301,655
Interest	841,348	844,304	856,146	825,985	800,682
Differences between expected and actual experience	75,013	(325,615)	(497,217)	61,619	-
Changes in assumptions	-	(14,323)	-	-	-
Benefit payments, including refunds of employee contributions	(791,053)	(791,011)	(758,111)	(751,171)	(730,570)
<b>Net change in total pension liability</b>	<b>\$ 366,617</b>	<b>\$ (42,205)</b>	<b>\$ (152,729)</b>	<b>\$ 434,352</b>	<b>\$ 371,767</b>
<b>Total pension liability - beginning</b>	<b>12,414,785</b>	<b>12,456,990</b>	<b>12,609,719</b>	<b>12,175,367</b>	<b>11,803,600</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 12,781,402</b>	<b>\$ 12,414,785</b>	<b>\$ 12,456,990</b>	<b>\$ 12,609,719</b>	<b>\$ 12,175,367</b>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 235,211	\$ 229,281	\$ 280,851	\$ 279,259	\$ 360,472
Contributions - employee	121,316	119,757	115,418	114,370	136,232
Net investment income	827,465	1,260,114	179,145	477,032	1,459,455
Benefit payments, including refunds of employee contributions	(791,053)	(791,011)	(758,111)	(751,171)	(730,570)
Administrative expense	(7,364)	(7,564)	(6,778)	(6,794)	(8,002)
Other	(728)	(1,108)	(77)	(99)	77
<b>Net change in plan fiduciary net position</b>	<b>\$ 384,847</b>	<b>\$ 809,469</b>	<b>\$ (189,552)</b>	<b>\$ 112,597</b>	<b>\$ 1,217,664</b>
<b>Plan fiduciary net position - beginning</b>	<b>11,337,352</b>	<b>10,527,883</b>	<b>10,717,435</b>	<b>10,604,838</b>	<b>9,387,174</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 11,722,199</b>	<b>\$ 11,337,352</b>	<b>\$ 10,527,883</b>	<b>\$ 10,717,435</b>	<b>\$ 10,604,838</b>
<b>School Division's net pension liability - ending (a) - (b)</b>	<b>\$ 1,059,203</b>	<b>\$ 1,077,433</b>	<b>\$ 1,929,107</b>	<b>\$ 1,892,284</b>	<b>\$ 1,570,529</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>91.71%</b>	<b>91.32%</b>	<b>84.51%</b>	<b>84.99%</b>	<b>87.10%</b>
<b>Covered payroll</b>	<b>\$ 2,562,104</b>	<b>\$ 2,471,143</b>	<b>\$ 2,351,533</b>	<b>\$ 2,324,240</b>	<b>\$ 2,681,093</b>
<b>School Division's net pension liability as a percentage of covered payroll</b>	<b>41.34%</b>	<b>43.60%</b>	<b>82.04%</b>	<b>81.42%</b>	<b>58.58%</b>

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

County of Botetourt, Virginia  
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan  
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability	0.33293%	0.34343%	0.34454%	0.35138%	0.36427%
Employer's Proportionate Share of the Net Pension Liability	\$ 39,152,000	\$ 42,235,000	\$ 48,284,000	\$ 44,226,000	\$ 44,021,000
Employer's Covered Payroll	26,698,715	26,920,153	26,267,105	26,125,137	26,639,468
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	146.64%	156.89%	183.82%	169.29%	165.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%	72.92%	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

County of Botetourt, Virginia  
Schedule of Employer Contributions - Pension Plans  
For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
2019	\$ 1,041,194	\$ 1,041,194	\$ -	\$ 12,251,621	8.50%
2018	1,090,914	1,090,914	-	11,408,577	9.56%
2017	1,112,944	1,112,944	-	11,583,919	9.61%
2016	1,310,669	1,310,669	-	11,220,923	11.68%
2015	1,332,674	1,332,674	-	11,362,485	11.73%
2014	1,404,239	1,404,239	-	11,163,709	12.58%
2013	1,366,312	1,366,312	-	10,835,144	12.61%
2012	1,045,282	1,045,282	-	10,431,955	10.02%
2011	989,908	989,908	-	9,879,318	10.02%
2010	1,048,824	1,048,824	-	10,104,280	10.38%
<b>Component Unit School Board (nonprofessional)</b>					
2019	\$ 226,946	\$ 226,946	\$ -	\$ 2,823,365	8.04%
2018	235,211	235,211	-	2,562,104	9.18%
2017	229,281	229,281	-	2,471,143	9.28%
2016	280,851	280,851	-	2,351,533	11.94%
2015	279,259	279,259	-	2,324,240	12.02%
2014	360,472	360,472	-	2,681,093	13.44%
2013	344,690	344,690	-	2,562,753	13.45%
2012	254,719	254,719	-	2,593,879	9.82%
2011	255,585	255,585	-	2,602,700	9.82%
2010	304,470	304,470	-	2,772,955	10.98%
<b>Component Unit School Board (professional)</b>					
2019	\$ 4,295,989	\$ 4,295,989	\$ -	\$ 27,624,375	15.55%
2018	4,305,859	4,305,859	-	26,698,715	16.13%
2017	3,923,194	3,923,194	-	26,920,153	14.57%
2016	3,678,209	3,678,209	-	26,267,105	14.00%
2015	3,775,000	3,775,000	-	26,125,137	14.45%
2014	3,106,162	3,106,162	-	26,639,468	11.66%
2013	2,942,672	2,942,672	-	25,237,324	11.66%
2012	1,616,386	1,616,386	-	25,535,324	6.33%
2011	973,244	973,244	-	24,764,478	3.93%
2010	2,230,089	2,230,089	-	25,313,156	8.81%

Current year contributions are from County records and prior year contributions are from the VRS actuarial valuation performed each year.

County of Botetourt, Virginia  
Notes to Required Supplementary Information - Pension Plans  
For the Year Ended June 30, 2019

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**Changes of benefit terms** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

**Largest 10 - Non-Hazardous Duty:**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

**All Others (Non 10 Largest) - Non-Hazardous Duty:**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

**Largest 10 - Hazardous Duty:**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

County of Botetourt, Virginia  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2019 (Continued)

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All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

County of Botetourt, Virginia  
Schedule of Employer's Share of Net OPEB Liability  
Group Life Insurance Program  
For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
<b>Primary Government</b>					
2018	0.06019%	\$ 914,000	\$ 11,408,577	8.01%	51.22%
2017	0.06286%	946,000	11,583,919	8.17%	48.86%
<b>Component Unit School Board (Nonprofessional)</b>					
2018	0.01347%	\$ 204,000	\$ 2,562,104	7.96%	51.22%
2017	0.01340%	201,000	2,471,143	8.13%	48.86%
<b>Component Unit School Board (Professional)</b>					
2018	0.14041%	\$ 2,133,000	\$ 26,698,715	7.99%	51.22%
2017	0.14595%	2,196,000	26,920,153	8.16%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

County of Botetourt, Virginia  
Schedule of Employer Contributions  
Group Life Insurance Program  
For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
2019	\$ 63,906	\$ 63,906	\$ -	\$ 12,289,430	0.52%
2018	59,499	59,499	-	11,408,577	0.52%
2017	60,295	60,295	-	11,583,919	0.52%
2016	53,965	53,965	-	11,220,923	0.48%
2015	54,540	54,540	-	11,362,485	0.48%
2014	53,706	53,706	-	11,163,709	0.48%
2013	52,093	52,093	-	10,835,144	0.48%
2012	29,244	29,244	-	10,431,955	0.28%
2011	27,666	27,666	-	9,879,318	0.28%
2010	20,494	20,494	-	10,104,280	0.20%
<b>Component Unit School Board (Nonprofessional)</b>					
2019	\$ 14,681	\$ 14,681	\$ -	\$ 2,823,365	0.52%
2018	13,323	13,323	-	2,562,104	0.52%
2017	12,850	12,850	-	2,471,143	0.52%
2016	11,287	11,287	-	2,351,533	0.48%
2015	11,156	11,156	-	2,324,240	0.48%
2014	12,869	12,869	-	2,681,093	0.48%
2013	12,301	12,301	-	2,562,753	0.48%
2012	7,263	7,263	-	2,593,879	0.28%
2011	7,288	7,288	-	2,602,700	0.28%
2010	5,450	5,450	-	2,772,955	0.20%
<b>Component Unit School Board (Professional)</b>					
2019	\$ 143,643	\$ 143,643	\$ -	\$ 27,624,375	0.52%
2018	138,836	138,836	-	26,698,715	0.52%
2017	139,985	139,985	-	26,920,153	0.52%
2016	126,095	126,095	-	26,267,105	0.48%
2015	125,401	125,401	-	26,125,137	0.48%
2014	127,869	127,869	-	26,639,468	0.48%
2013	121,139	121,139	-	25,237,324	0.48%
2012	71,499	71,499	-	25,535,324	0.28%
2011	69,343	69,343	-	24,764,478	0.28%
2010	48,626	48,626	-	25,313,156	0.19%



County of Botetourt, Virginia  
Notes to Required Supplementary Information  
Group Life Insurance Program  
For the Year Ended June 30, 2019

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**Changes of benefit terms** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

**Teachers**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

**Largest Ten Locality Employers - General Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

**Non-Largest Ten Locality Employers - General Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

**Largest Ten Locality Employers - Hazardous Duty Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

County of Botetourt, Virginia  
Schedule of Changes in the Employers's Net OPEB Liability and Related Ratios  
Component Unit-School Board (nonprofessional)  
Health Insurance Credit (HIC) Program  
For the Measurement Dates of June 30, 2018 and 2017

	2018	2017
<b>Total HIC OPEB Liability</b>		
Service cost	\$ 6,000	\$ 7,000
Interest	15,000	15,000
Differences between expected and actual experience	11,000	-
Changes in assumptions	-	(7,000)
Benefit payments	(15,000)	(11,000)
Other	(1,000)	-
<b>Net change in total HIC OPEB liability</b>	<b>\$ 16,000</b>	<b>\$ 4,000</b>
<b>Total HIC OPEB Liability - beginning</b>	<b>225,000</b>	<b>221,000</b>
<b>Total HIC OPEB Liability - ending (a)</b>	<b>\$ 241,000</b>	<b>\$ 225,000</b>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ 17,000	\$ 16,000
Net investment income	4,000	6,000
Benefit payments	(15,000)	(11,000)
Other	(1,000)	-
<b>Net change in plan fiduciary net position</b>	<b>\$ 5,000</b>	<b>\$ 11,000</b>
<b>Plan fiduciary net position - beginning</b>	<b>61,000</b>	<b>50,000</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 66,000</b>	<b>\$ 61,000</b>
 <b>School Division's net HIC OPEB liability - ending (a) - (b)</b>	<b>\$ 175,000</b>	<b>\$ 164,000</b>
 <b>Plan fiduciary net position as a percentage of the total HIC OPEB liability</b>	<b>27.39%</b>	<b>27.11%</b>
 <b>Covered payroll</b>	<b>\$ 2,562,104</b>	<b>\$ 2,471,143</b>
 <b>School Division's net HIC OPEB liability as a percentage of covered payroll</b>	<b>6.83%</b>	<b>6.64%</b>

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

County of Botetourt, Virginia  
 Schedule of School Board's Share of Net OPEB Liability  
 Teacher Employee Health Insurance Credit (HIC) Program  
 For the Measurement Dates of June 30, 2018 and 2017

Date	Employer's Proportion of the Net HIC OPEB Liability (Asset)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability
(1)	(2)	(3)	(4)	(5)	(6)
2018	0.3301%	\$ 4,191,000	\$ 26,698,715	15.70%	8.08%
2017	0.3411%	4,327,000	26,920,153	16.07%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

County of Botetourt, Virginia  
Schedule of Employer Contributions  
Health Insurance Credit Program (HIC)  
For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Component Unit School Board (Nonprofessional)</b>					
2019	\$ 20,329	\$ 20,329	\$ -	\$ 2,823,365	0.72%
2018	16,654	16,654	-	2,562,104	0.65%
2017	16,090	16,090	-	2,471,143	0.65%
2016	13,404	13,404	-	2,351,533	0.57%
2015	13,248	13,248	-	2,324,240	0.57%
2014	16,087	16,087	-	2,681,093	0.60%
2013	15,361	15,361	-	2,562,753	0.60%
2012	14,271	14,271	-	2,593,879	0.55%
2011	14,315	14,315	-	2,602,700	0.55%
<b>Component Unit School Board (Professional)</b>					
2019	\$ 331,495	\$ 331,495	\$ -	\$ 27,624,375	1.20%
2018	328,391	328,391	-	26,698,715	1.23%
2017	298,814	298,814	-	26,920,153	1.11%
2016	278,461	278,461	-	26,267,105	1.06%
2015	276,926	276,926	-	26,125,137	1.06%
2014	295,698	295,698	-	26,639,468	1.11%
2013	280,134	280,134	-	25,237,324	1.11%
2012	153,212	153,212	-	25,535,324	0.60%
2011	148,587	148,587	-	24,764,478	0.60%
2010	187,283	187,283	-	25,313,156	0.74%

Schedule is intended to show information for 10 years. Component Unit School Board (nonprofessional) did not enroll in HIC until 7/1/2010. However, additional years will be included as they become available.

County of Botetourt, Virginia  
Notes to Required Supplementary Information  
Health Insurance Credit (HIC) Program  
For the Year Ended June 30, 2019

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**Changes of benefit terms** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

**Component Unit School Board (Nonprofessional):**

**Largest Ten Locality Employers - General Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

**Non-Largest Ten Locality Employers - General Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

**Component Unit School Board (Professional):**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

County of Botetourt, Virginia  
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios - Health Insurance  
Component Unit-School Board  
For the Measurement Dates of July 1, 2018 and 2017

	2018	2017
<b>Total OPEB liability</b>		
Service cost	\$ 228,000	\$ 222,000
Interest	202,000	196,000
Differences between expected and actual experience	(725,000)	-
Benefit payments	(335,000)	(164,000)
Other changes	(413,000)	-
<b>Net change in total OPEB liability</b>	<b>\$ (1,043,000)</b>	<b>\$ 254,000</b>
<b>Total OPEB liability - beginning</b>	<b>5,608,000</b>	<b>5,354,000</b>
<b>Total OPEB liability - ending</b>	<b>\$ 4,565,000</b>	<b>\$ 5,608,000</b>
 <b>Covered-employee payroll</b>	 <b>\$ 29,375,000</b>	 <b>\$ 27,543,000</b>
 <b>Component Unit-School Board total OPEB liability (asset) as a percentage of covered-employee payroll</b>	 <b>15.54%</b>	 <b>20.36%</b>

County of Botetourt, Virginia  
Notes to Required Supplementary Information - Component Unit-School Board Health Insurance OPEB  
For the Year Ended June 30, 2019

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Valuation Date: 7/1/2018  
Measurement Date: 7/1/2018

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry age actuarial cost method
Discount Rate	3.62%
Healthcare Trend Rate	Medical per capita costs, average costs, retiree contributions, and premiums are assumed to increase 7.25% for Pre-Medicare coverage and 5.25% for Post-Medicare coverage for fiscal year end 2019, decreasing 0.25% per year to an ultimate rate of 5.00%.
Salary Increase Rates	Future salaries are assumed to increase by 2.50% annually.
Retirement Age	The average age at retirement is 62
Mortality Rates	RP-2014 Mortality Table, fully generational with base year 2006, projected two-dimensional mortality improvement scale MP-2018.

## Other Supplementary Information Section



### **FIDUCIARY FUNDS - AGENCY FUNDS**

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Special Welfare - The Special Welfare fund accounts for those funds belonging to individuals entrusted to the local social services agency, such as foster care children.

Cafeteria Plan - The cafeteria plan fund accounts for those funds belonging to County employees as participants in the County's cafeteria plan.

Inmate Trust and Canteen - The Jail Inmate Trust and Canteen fund accounts for the inmate commissary and inmate trust.

Escrow - The escrow fund accounts for funds held by the County on behalf of developers, corporations, or individuals to ensure performance under requirements set forth by the County.

Roanoke Valley Regional Board - The Roanoke Valley Regional Board Fund accounts for funds held on behalf of the Roanoke Valley Regional Board.

County of Botetourt, Virginia  
Combining Statement of Fiduciary Net Position  
Agency Funds  
June 30, 2019

	Agency Funds						
	<u>Special Welfare</u>	<u>Flexible Benefits</u>	<u>Inmate Trust and Canteen</u>	<u>Cafeteria Plan</u>	<u>Escrow</u>	<u>Roanoke Valley Regional Board</u>	<u>Total</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 51,479	\$ 696	\$ 73,264	\$ 10,002	\$ 39,735	\$ 2,090,366	\$ 2,265,542
Receivables:							
Interest and dividends	-	-	-	-	-	33,548	33,548
Total assets	<u>\$ 51,479</u>	<u>\$ 696</u>	<u>\$ 73,264</u>	<u>\$ 10,002</u>	<u>\$ 39,735</u>	<u>\$ 2,123,914</u>	<u>\$ 2,299,090</u>
<b>LIABILITIES</b>							
Amounts held for social services clients	\$ 51,479	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,479
Amounts held for employees	-	696	-	10,002	-	-	10,698
Amounts held for other agencies	-	-	-	-	-	2,123,914	2,123,914
Amounts held for performance bond	-	-	-	-	39,735	-	39,735
Amounts held for inmates	-	-	73,264	-	-	-	73,264
Total liabilities	<u>\$ 51,479</u>	<u>\$ 696.00</u>	<u>\$ 73,264</u>	<u>\$ 10,002</u>	<u>\$ 39,735</u>	<u>\$ 2,123,914</u>	<u>\$ 2,299,090</u>

County of Botetourt, Virginia  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Year Ended June 30, 2019

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<b>Special Welfare Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 48,140	\$ 34,044	\$ (30,705)	\$ 51,479
Liabilities:				
Amounts held for social services clients	\$ 48,140	\$ 34,044	\$ (30,705)	\$ 51,479
<b>Flexible Benefits Fund:</b>				
Assets:				
Cash and cash equivalents	\$ -	\$ 920	\$ (224)	\$ 696
Liabilities:				
Amounts held for employees	\$ -	\$ 920	\$ (224)	\$ 696
<b>Inmate Trust and Canteen Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 105,727	\$ 339,612	\$ (372,075)	\$ 73,264
Liabilities:				
Amounts held for inmates	\$ 105,727	\$ 339,612	\$ (372,075)	\$ 73,264
<b>Cafeteria Plan Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 227	\$ 60,042	\$ (50,267)	\$ 10,002
Liabilities:				
Amounts held for employees	\$ 227	\$ 60,042	\$ (50,267)	\$ 10,002
<b>Escrow Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 77,160	\$ 2,535	\$ (39,960)	\$ 39,735
Liabilities:				
Amounts held for performance bond	\$ 77,160	\$ 2,535	\$ (39,960)	\$ 39,735
<b>Roanoke Valley Regional Board Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 1,162,422	\$ 9,271,737	\$ (8,343,793)	\$ 2,090,366
Accounts receivable	-	33,548	-	33,548
Total assets	\$ 1,162,422	\$ 9,305,285	\$ (8,343,793)	\$ 2,123,914
Liabilities:				
Amounts held for other agencies	\$ 1,162,422	\$ 9,305,285	\$ (8,343,793)	\$ 2,123,914
<b>Totals</b>				
Total Assets:				
Cash and cash equivalents	\$ 1,393,676	\$ 9,708,890	\$ (8,837,024)	\$ 2,265,542
Accounts receivable	-	33,548	-	33,548
Total assets	\$ 1,393,676	\$ 9,742,438	\$ (8,837,024)	\$ 2,299,090
Total Liabilities:				
Amounts held for others	\$ 1,393,676	\$ 9,742,438	\$ (8,837,024)	\$ 2,299,090

**DISCRETELY PRESENTED COMPONENT UNIT SCHOOL  
BOARD**

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**MAJOR GOVERNMENTAL FUNDS**

School Operating Fund - The School Operating Fund accounts for and reports the operations of the County's school system. Financing is provided by the State and Federal governments as well as contributions from the County's General Fund.

County of Botetourt, Virginia  
Balance Sheet  
Discretely Presented Component Unit School Board  
June 30, 2019

	School Operating <u>Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 8,074,814
Receivables (net of allowance for uncollectibles):	
Accounts receivable	15,682
Due from other governmental units	1,603,260
Inventories	52,720
Restricted assets:	
Cash and cash equivalents	82,764
Total assets	<u>\$ 9,829,240</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 552,520
Accrued wages and health claims	4,996,906
Total liabilities	<u>\$ 5,549,426</u>
<b>FUND BALANCES</b>	
Nonspendable:	
Inventories	\$ 52,720
Restricted:	
School cafeterias	122,145
Unspent capital lease proceeds	82,764
Unassigned	4,022,185
Total fund balances	<u>\$ 4,279,814</u>
Total liabilities and fund balances	<u>\$ 9,829,240</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 4,279,814
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	1,621,728
Buildings and improvements	14,903,286
Machinery and equipment	2,294,552
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	
Pension related items	5,192,480
OPEB related items	972,148
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	
Capital leases	(902,162)
Accrued interest payable	(5,725)
Compensated absences	(791,520)
Net OPEB liabilities	(11,268,000)
Net pension liability	(40,211,203)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.	
Pension related items	(6,414,054)
OPEB related items	(1,534,000)
Net position of governmental activities	<u>\$ (31,862,656)</u>

County of Botetourt, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds - Discretely Presented Component Unit School Board  
For the Year Ended June 30, 2019

	School Operating Fund
<b>REVENUES</b>	
Revenue from the use of money and property	\$ 42,967
Charges for services	1,034,152
Miscellaneous	269,268
Recovered costs	226,730
Intergovernmental	53,444,142
Total revenues	<u>\$ 55,017,259</u>
<b>EXPENDITURES</b>	
Education	\$ 54,589,691
Debt service:	
Principal retirement	305,415
Interest and other fiscal charges	13,947
Total expenditures	<u>\$ 54,909,053</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 108,206</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Issuance of capital lease	\$ 439,890
Total other financing sources and uses	<u>\$ 439,890</u>
Net change in fund balances	\$ 548,096
Fund balances - beginning	3,731,718
Fund balances - ending	<u>\$ 4,279,814</u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Net change in fund balances - total governmental funds - per above	\$ 548,096
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.	
Capital outlays	891,069
Depreciation expenses	(1,762,538)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(496,947)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Debt issued or incurred:	
Issuance of capital lease	(439,890)
Principal repayments:	
Capital leases	305,415
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	
Change in compensated absences	(183,191)
Change in accrued interest payable	1,676
Change in OPEB related items	365,944
Change in pension related items	2,598,801
Change in net position of governmental activities	<u>\$ 1,828,435</u>

County of Botetourt, Virginia  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Discretely Presented Component Unit School Board  
For the Year Ended June 30, 2019

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 35,500	\$ 35,500	\$ 42,967	\$ 7,467
Charges for services	1,154,858	1,154,858	1,034,152	(120,706)
Miscellaneous	410,415	410,415	269,268	(141,147)
Recovered costs	205,117	205,117	226,730	21,613
Intergovernmental	53,333,426	53,333,426	53,444,142	110,716
Total revenues	<u>\$ 55,139,316</u>	<u>\$ 55,139,316</u>	<u>\$ 55,017,259</u>	<u>\$ (122,057)</u>
<b>EXPENDITURES</b>				
Education	\$ 56,699,289	\$ 56,820,657	\$ 54,589,691	\$ 2,230,966
Debt service:				
Principal retirement	336,201	336,201	305,415	30,786
Interest and other fiscal charges	-	-	13,947	(13,947)
Total expenditures	<u>\$ 57,035,490</u>	<u>\$ 57,156,858</u>	<u>\$ 54,909,053</u>	<u>\$ 2,247,805</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,896,174)</u>	<u>\$ (2,017,542)</u>	<u>\$ 108,206</u>	<u>\$ 2,125,748</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of capital lease	\$ -	\$ -	\$ 439,890	\$ 439,890
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 439,890</u>	<u>\$ 439,890</u>
Net change in fund balances	<u>\$ (1,896,174)</u>	<u>\$ (2,017,542)</u>	<u>\$ 548,096</u>	<u>\$ 2,565,638</u>
Fund balances - beginning	1,896,174	2,017,542	3,731,718	1,714,176
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,279,814</u>	<u>\$ 4,279,814</u>

County of Botetourt, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 26,148,000	\$ 26,658,568	\$ 26,846,692	\$ 188,124
Real and personal public service corporation taxes	3,189,000	3,189,000	3,336,422	147,422
Personal property taxes	6,575,000	6,575,000	6,559,986	(15,014)
Mobile home taxes	37,500	37,500	46,947	9,447
Machinery and tools taxes	3,800,000	3,800,000	3,864,343	64,343
Penalties	180,000	180,000	171,093	(8,907)
Interest	105,000	105,000	141,890	36,890
Total general property taxes	\$ 40,034,500	\$ 40,545,068	\$ 40,967,373	\$ 422,305
Other local taxes:				
Local sales and use taxes	\$ 2,930,000	\$ 2,930,000	\$ 3,034,992	\$ 104,992
Consumers' utility taxes	572,000	572,000	574,527	2,527
Local consumption tax	150,500	150,500	153,970	3,470
Business license taxes	861,800	861,800	947,815	86,015
Franchise license tax	90,000	90,000	57,994	(32,006)
Motor vehicle licenses	675,000	675,000	674,493	(507)
Bank stock taxes	140,000	140,000	199,207	59,207
Taxes on recordation and wills	360,000	360,000	397,587	37,587
Hotel and motel room taxes	580,000	580,000	529,265	(50,735)
Restaurant food taxes	1,475,000	1,475,000	1,529,324	54,324
Total other local taxes	\$ 7,834,300	\$ 7,834,300	\$ 8,099,174	\$ 264,874
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 18,000	\$ 18,000	\$ 20,267	\$ 2,267
Land use application fees	500	500	375	(125)
Transfer fees	1,500	1,500	1,319	(181)
Building permits and other licenses	255,250	255,250	366,491	111,241
Zoning fees	28,250	28,250	16,709	(11,541)
E-summons fees	-	-	28,374	28,374
Other permits, fees and licenses	76,000	76,000	91,794	15,794
Total permits, privilege fees, and regulatory licenses	\$ 379,500	\$ 379,500	\$ 525,329	\$ 145,829
Fines and forfeitures:				
Court fines and forfeitures	\$ 105,000	\$ 105,000	\$ 64,213	\$ (40,787)
Revenue from use of money and property:				
Revenue from use of money	\$ 401,500	\$ 401,500	\$ 1,440,795	\$ 1,039,295
Revenue from use of property	306,600	306,600	346,569	39,969
Total revenue from use of money and property	\$ 708,100	\$ 708,100	\$ 1,787,364	\$ 1,079,264



County of Botetourt, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Charges for services:				
Charges for law enforcement and traffic control	\$ 54,856	\$ 54,856	\$ 308,578	\$ 253,722
Charges for courthouse maintenance	-	-	16,556	16,556
Charges for courtroom security	-	-	88,954	88,954
Court appointed attorneys	400	400	1,197	797
Miscellaneous jail and inmate fees	15,000	15,000	15,919	919
Charges for Commonwealth's Attorney	60,400	60,400	43,870	(16,530)
Charges for board and care of animals	3,200	3,200	2,485	(715)
Charges for sanitation and waste removal	175,000	175,000	215,011	40,011
Charges for parks and recreation	124,000	124,000	149,205	25,205
Charges for engineering reviews	6,750	6,750	7,050	300
Other charges for services	250	250	86	(164)
Charges for law library	-	-	4,418	4,418
Charges for library	31,000	31,000	31,516	516
Total charges for services	\$ 470,856	\$ 470,856	\$ 884,845	\$ 413,989
Miscellaneous:				
Miscellaneous	\$ 198,440	\$ 198,440	\$ 278,388	\$ 79,948
Sale of salvage	22,000	22,000	346,088	324,088
Sponsorships	9,000	9,000	9,769	769
Telephone commissions	42,000	42,000	67,731	25,731
Donations	3,000	3,000	13,023	10,023
Economic Development EDGE Grant	-	-	15,000	15,000
Total miscellaneous	\$ 274,440	\$ 274,440	\$ 729,999	\$ 455,559
Recovered costs:				
Local jails	\$ 250,000	\$ 250,000	\$ 258,651	\$ 8,651
ES cost recoveries	1,200,000	1,200,000	1,415,527	215,527
Health Department	500	500	7,445	6,945
Regional jail	104,416	104,416	104,416	-
Medical co-pay	27,000	27,000	21,261	(5,739)
CSA refunds	2,500	2,500	4,638	2,138
Social services refunds	3,000	3,000	1,071	(1,929)
Town of Buchanan	10,000	10,000	-	(10,000)
Tourism	500	500	-	(500)
Other recovered costs	313,075	313,075	315,289	2,214
Total recovered costs	\$ 1,910,991	\$ 1,910,991	\$ 2,128,298	\$ 217,307
Total revenue from local sources	\$ 51,717,687	\$ 52,228,255	\$ 55,186,595	\$ 2,958,340

County of Botetourt, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling Stock Tax	\$ 150,000	\$ 150,000	\$ 164,901	\$ 14,901
Communications sales and use taxes	670,000	670,000	606,850	(63,150)
Motor vehicle carriers' tax	3,000	3,000	2,703	(297)
Mobile home titling tax	117,000	117,000	125,401	8,401
Grantor's tax	100,000	100,000	118,520	18,520
Personal property tax relief funds	3,418,137	3,418,137	3,418,137	-
Total noncategorical aid	<u>\$ 4,458,137</u>	<u>\$ 4,458,137</u>	<u>\$ 4,436,512</u>	<u>\$ (21,625)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 448,000	\$ 448,000	\$ 438,011	\$ (9,989)
Sheriff	3,480,000	3,480,000	3,492,402	12,402
Commissioner of revenue	115,000	115,000	114,298	(702)
Treasurer	122,000	122,000	120,649	(1,351)
Registrar/electoral board	42,000	42,000	42,436	436
Clerk of the Circuit Court	316,000	316,000	313,358	(2,642)
Total shared expenses	<u>\$ 4,523,000</u>	<u>\$ 4,523,000</u>	<u>\$ 4,521,154</u>	<u>\$ (1,846)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 380,000	\$ 380,000	\$ 424,896	\$ 44,896
Comprehensive services act	761,656	761,656	791,943	30,287
Library grant	151,243	151,243	152,415	1,172
Property seizure	-	-	14,907	14,907
Governors opportunity funds	-	-	1,000,000	1,000,000
Fire program	105,000	105,000	107,944	2,944
Wireless E-911	100,000	100,000	112,819	12,819
Four for life	36,000	36,000	75,410	39,410
VDOT grants	-	-	45,609	45,609
Economic development grant	-	-	27,500	27,500
Records preservation grant	-	-	10,160	10,160
Other categorical aid	99,500	99,500	740	(98,760)
Total other categorical aid	<u>\$ 1,633,399</u>	<u>\$ 1,633,399</u>	<u>\$ 2,764,343</u>	<u>\$ 1,130,944</u>
Total categorical aid	<u>\$ 6,156,399</u>	<u>\$ 6,156,399</u>	<u>\$ 7,285,497</u>	<u>\$ 1,129,098</u>
Total revenue from the Commonwealth	<u>\$ 10,614,536</u>	<u>\$ 10,614,536</u>	<u>\$ 11,722,009</u>	<u>\$ 1,107,473</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 173,300	\$ 173,300	\$ 237,280	\$ 63,980

County of Botetourt, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid:				
Public assistance and welfare administration	\$ 715,000	\$ 715,000	\$ 816,430	\$ 101,430
Emergency management grant	-	-	7,500	7,500
Child support enforcement	200	200	3,800	3,600
State and community highway safety	27,500	27,500	15,781	(11,719)
Total categorical aid	<u>\$ 742,700</u>	<u>\$ 742,700</u>	<u>\$ 843,511</u>	<u>\$ 100,811</u>
Total revenue from the federal government	<u>\$ 916,000</u>	<u>\$ 916,000</u>	<u>\$ 1,080,791</u>	<u>\$ 164,791</u>
Total General Fund	<u>\$ 63,248,223</u>	<u>\$ 63,758,791</u>	<u>\$ 67,989,395</u>	<u>\$ 4,230,604</u>
Discretely Presented Component Unit School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 500	\$ 500	\$ 18,381	\$ 17,881
Revenue from the use of property	35,000	35,000	24,586	(10,414)
Total revenue from use of money and property	<u>\$ 35,500</u>	<u>\$ 35,500</u>	<u>\$ 42,967</u>	<u>\$ 7,467</u>
Charges for services:				
Cafeteria sales	\$ 1,029,358	\$ 1,029,358	\$ 918,579	\$ (110,779)
Transportation of pupils	50,000	50,000	11,460	(38,540)
Tuition and payments from other divisions	75,500	75,500	104,113	28,613
Total charges for services	<u>\$ 1,154,858</u>	<u>\$ 1,154,858</u>	<u>\$ 1,034,152</u>	<u>\$ (120,706)</u>
Miscellaneous:				
Miscellaneous	<u>\$ 410,415</u>	<u>\$ 410,415</u>	<u>\$ 269,268</u>	<u>\$ (141,147)</u>
Recovered costs:				
Other recovered costs	<u>\$ 205,117</u>	<u>\$ 205,117</u>	<u>\$ 226,730</u>	<u>\$ 21,613</u>
Total revenue from local sources	<u>\$ 1,805,890</u>	<u>\$ 1,805,890</u>	<u>\$ 1,573,117</u>	<u>\$ (232,773)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Botetourt, Virginia	<u>\$ 24,699,008</u>	<u>\$ 24,699,008</u>	<u>\$ 24,565,851</u>	<u>\$ (133,157)</u>

County of Botetourt, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 5,486,946	\$ 5,486,946	\$ 5,530,673	\$ 43,727
Basic school aid	13,194,076	13,194,076	13,229,948	35,872
Remedial summer education	25,845	25,845	28,367	2,522
Regular foster care	40,999	40,999	48,152	7,153
Adult secondary education	7,859	7,859	8,355	496
Gifted and talented	138,394	138,394	139,458	1,064
Remedial education	196,519	196,519	198,031	1,512
School food	20,549	20,549	20,782	233
Special education	1,895,198	1,895,198	1,858,883	(36,315)
Textbook payment	303,517	303,517	280,841	(22,676)
Standards of Learning algebra readiness	29,152	29,152	29,152	-
Vocational education SOQ payments	207,590	207,590	209,188	1,598
Social security fringe benefits	783,308	783,308	789,334	6,026
Share of fringe benefits	2,480,868	2,480,868	1,737,651	(743,217)
Group life insurance instructional	52,590	52,590	52,994	404
State lottery payments	-	-	1,015,675	1,015,675
Early reading intervention	65,718	65,718	63,664	(2,054)
Homebound education	25,789	25,789	13,557	(12,232)
Vocational education	94,179	94,179	67,584	(26,595)
Special education - foster children	122,999	122,999	70,479	(52,520)
At risk payments	95,452	95,452	104,262	8,810
Mentor teacher program	1,448	1,448	2,064	616
Reduced K-3	40,957	40,957	44,065	3,108
At risk four-year olds	154,291	154,291	128,261	(26,030)
English as a second language	47,121	47,121	51,255	4,134
VPSA technology grant	336,000	336,000	336,000	-
Small school division enrollment loss	-	-	147,129	147,129
Other state funds	27,064	27,064	32,380	5,316
Total categorical aid	\$ 25,874,428	\$ 25,874,428	\$ 26,238,184	\$ 363,756
Total revenue from the Commonwealth	\$ 25,874,428	\$ 25,874,428	\$ 26,238,184	\$ 363,756

County of Botetourt, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Schools and Roads Grant	\$ 25,000	\$ 25,000	\$ 52,134	\$ 27,134
School breakfast and lunch program	690,000	690,000	682,704	(7,296)
School food distribution	-	-	111,654	111,654
Title V - Part A	-	-	26,136	26,136
Title I	472,772	472,772	411,158	(61,614)
Title VI-B, Special education flow-through	1,360,968	1,360,968	1,174,109	(186,859)
Vocational education	56,250	56,250	52,511	(3,739)
Adult basic education	40,000	40,000	21,528	(18,472)
Language acquisition grant	5,000	5,000	7,122	2,122
Improving teacher quality	110,000	110,000	101,051	(8,949)
Total categorical aid	<u>\$ 2,759,990</u>	<u>\$ 2,759,990</u>	<u>\$ 2,640,107</u>	<u>\$ (119,883)</u>
Total revenue from the federal government	<u>\$ 2,759,990</u>	<u>\$ 2,759,990</u>	<u>\$ 2,640,107</u>	<u>\$ (119,883)</u>
Total School Operating Fund	<u>\$ 55,139,316</u>	<u>\$ 55,139,316</u>	<u>\$ 55,017,259</u>	<u>\$ (122,057)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 55,139,316</u>	<u>\$ 55,139,316</u>	<u>\$ 55,017,259</u>	<u>\$ (122,057)</u>

County of Botetourt, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 261,767	\$ 269,264	\$ 267,603	\$ 1,661
General and financial administration:				
County administrator	\$ 447,235	\$ 505,214	\$ 408,535	\$ 96,679
Deputy administrators	418,777	428,034	402,458	25,576
Central garage	86,156	91,042	81,043	9,999
Commissioner of revenue	407,002	418,166	390,779	27,387
Assessor	211,000	211,000	170,941	40,059
Central purchasing	110,058	122,712	117,012	5,700
Treasurer	488,734	509,449	495,737	13,712
Management information systems	1,042,161	1,083,036	962,226	120,810
Financial services	302,056	306,199	266,030	40,169
Nondepartmental	873,520	158,545	13,904	144,641
Total general and financial administration	\$ 4,386,699	\$ 3,833,397	\$ 3,308,665	\$ 524,732
Board of elections:				
Electoral board/registrar	\$ 281,537	\$ 348,207	\$ 336,963	\$ 11,244
Total general government administration	\$ 4,930,003	\$ 4,450,868	\$ 3,913,231	\$ 537,637
Judicial administration:				
Courts:				
Circuit court	\$ 59,150	\$ 60,984	\$ 58,953	\$ 2,031
General district court	25,174	31,056	21,870	9,186
Magistrate	2,510	2,761	2,611	150
Clerk of the circuit court	659,880	690,638	644,846	45,792
Total courts	\$ 746,714	\$ 785,439	\$ 728,280	\$ 57,159
Commonwealth's attorney:				
Commonwealth's attorney	\$ 803,857	\$ 811,256	\$ 788,090	\$ 23,166
Total judicial administration	\$ 1,550,571	\$ 1,596,695	\$ 1,516,370	\$ 80,325
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 5,020,315	\$ 5,641,727	\$ 5,121,973	\$ 519,754
Fire and rescue services:				
Fire departments and rescue squads	\$ 5,155,415	\$ 7,227,437	\$ 6,100,477	\$ 1,126,960
Emergency communications	284,769	263,769	248,402	15,367
Total fire and rescue services	\$ 5,440,184	\$ 7,491,206	\$ 6,348,879	\$ 1,142,327

County of Botetourt, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
County operated institutions - jail	\$ 4,386,740	\$ 4,615,844	\$ 4,394,045	\$ 221,799
Juvenile detention	117,000	199,080	189,420	9,660
Probation office	4,701	4,701	4,142	559
Total correction and detention	\$ 4,508,441	\$ 4,819,625	\$ 4,587,607	\$ 232,018
Development services:				
Building, planning, zoning and engineering	\$ 345,917	\$ 418,229	\$ 396,240	\$ 21,989
Other protection:				
Animal control	\$ 607,291	\$ 654,684	\$ 605,707	\$ 48,977
Dispatch	832,553	896,997	864,534	32,463
Courtroom security	-	53,708	36,247	17,461
Total other protection	\$ 1,439,844	\$ 1,605,389	\$ 1,506,488	\$ 98,901
Total public safety	\$ 16,754,701	\$ 19,976,176	\$ 17,961,187	\$ 2,014,989
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 703,483	\$ 789,481	\$ 744,737	\$ 44,744
Public works	155,274	27,828	27,495	333
Total sanitation and waste removal	\$ 858,757	\$ 817,309	\$ 772,232	\$ 45,077
Maintenance of general buildings and grounds:				
General properties	\$ 857,678	\$ 861,926	\$ 790,930	\$ 70,996
Total public works	\$ 1,716,435	\$ 1,679,235	\$ 1,563,162	\$ 116,073
Health and welfare:				
Health:				
Supplement of local health department	\$ 329,252	\$ 313,329	\$ 313,329	\$ -
Mental health and mental retardation:				
Mental health contribution	\$ 40,000	\$ 40,000	\$ 40,000	\$ -

County of Botetourt, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
<b>Health and welfare: (Continued)</b>				
Welfare:				
Welfare administration and programs	\$ 1,373,730	\$ 1,501,729	\$ 1,462,871	\$ 38,858
Comprehensive services act	1,262,556	1,377,560	1,324,866	52,694
Senior van program	84,593	84,792	73,626	11,166
Tax relief for the elderly	-	510,568	510,568	-
Other welfare programs	27,500	27,500	27,500	-
Total welfare	\$ 2,748,379	\$ 3,502,149	\$ 3,399,431	\$ 102,718
Total health and welfare	\$ 3,117,631	\$ 3,855,478	\$ 3,752,760	\$ 102,718
<b>Education:</b>				
Other instructional costs:				
Contribution to Community Colleges	\$ 42,140	\$ 42,140	\$ 42,140	\$ -
Contribution to County School Board	24,509,282	24,509,282	24,565,851	(56,569)
Total education	\$ 24,551,422	\$ 24,551,422	\$ 24,607,991	\$ (56,569)
<b>Parks, recreation, and cultural:</b>				
Parks and recreation:				
Supervision of parks and recreation	\$ 1,252,025	\$ 1,329,621	\$ 1,233,470	\$ 96,151
Sports complex	381,563	346,301	283,518	62,783
YMCA support	150,000	200,000	200,000	-
Total parks and recreation	\$ 1,783,588	\$ 1,875,922	\$ 1,716,988	\$ 158,934
Cultural enrichment:				
Contributions to cultural organizations	\$ 23,000	\$ 25,500	\$ 25,500	\$ -
Greenfield Historical Resources	50,000	90,000	-	90,000
Total cultural enrichment	\$ 73,000	\$ 115,500	\$ 25,500	\$ 90,000
Library:				
Library expenses	\$ 1,080,250	\$ 1,142,634	\$ 1,101,225	\$ 41,409
Total parks, recreation, and cultural	\$ 2,936,838	\$ 3,134,056	\$ 2,843,713	\$ 290,343
<b>Community development:</b>				
Planning and community development:				
Economic development - contributions	\$ 267,376	\$ 267,376	\$ 267,376	\$ -
Environmental management	20,111	20,111	20,111	-
Industrial development	75,500	153,679	128,868	24,811
Community development	541,049	654,152	619,760	34,392
Economic development	515,436	659,964	439,915	220,049
Contribution to Economic Development Authority	750,000	3,564,896	2,420,624	1,144,272
Total planning and community development	\$ 2,169,472	\$ 5,320,178	\$ 3,896,654	\$ 1,423,524



County of Botetourt, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Cooperative extension program:				
Extension office	\$ 67,783	\$ 67,783	\$ 61,784	\$ 5,999
Total community development	\$ 2,237,255	\$ 5,387,961	\$ 3,958,438	\$ 1,429,523
Capital projects:				
VDOT revenue sharing	\$ -	\$ 22,270	\$ 22,270	\$ -
Website design	-	9,800	-	9,800
Greenfield education and training	48,000	48,000	-	48,000
Greenway project	100,000	175,984	33,979	142,005
Community recreation incentive program	35,000	40,000	26,541	13,459
Library incentive fund	10,000	10,000	-	10,000
Economic development program	150,000	142,144	16,430	125,714
Circuit courthouse complex	-	30,376	16,980	13,396
PC/laptop replacement	58,000	58,000	55,359	2,641
Enterprise-wide software	-	24,229	3,365	20,864
Library system-program study	-	20,000	-	20,000
Mobile radio replacement	110,000	323,399	90,867	232,532
Emergency communications project	75,000	150,000	142,547	7,453
Tax software	-	279,602	158,858	120,744
Cardiac monitor replacement plan	37,000	45,500	32,130	13,370
Leachate tank maintenance	6,000	47,890	-	47,890
E-summons purchases	-	154,654	107,428	47,226
Colonial elementary	-	22,516,050	1,803,018	20,713,032
Fire & EMS study	-	62,000	62,000	-
Greenfield preservation area	-	10,830	9,880	950
Greenfield ETC mobile class	-	391,955	178,027	213,928
County offices and circuit court relocation	-	106,321	75,138	31,183
General district courthouse	80,000	160,000	113,781	46,219
Total capital projects	\$ 709,000	\$ 24,829,004	\$ 2,948,598	\$ 21,880,406
Debt service:				
Principal retirement	\$ 2,825,486	\$ 2,792,974	\$ 2,789,648	\$ 3,326
Interest and other fiscal charges	1,918,881	1,918,881	1,918,881	-
Total debt service	\$ 4,744,367	\$ 4,711,855	\$ 4,708,529	\$ 3,326
Total General Fund	\$ 63,248,223	\$ 94,172,750	\$ 67,773,979	\$ 26,398,771
Total Primary Government	\$ 63,248,223	\$ 94,172,750	\$ 67,773,979	\$ 26,398,771

County of Botetourt, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 2,441,099	\$ 2,447,814	\$ 2,435,124	\$ 12,690
Instruction costs:				
Instructional costs	\$ 42,088,529	\$ 42,209,686	\$ 39,365,490	\$ 2,844,196
Operating costs:				
Pupil transportation	\$ 3,312,726	\$ 3,312,893	\$ 3,898,536	\$ (585,643)
Operation and maintenance of school plant	4,481,784	4,474,963	4,574,920	(99,957)
School food service	1,805,916	1,805,916	1,817,768	(11,852)
Facilities	475,088	475,088	397,561	77,527
Technology	2,094,147	2,094,297	2,100,292	(5,995)
Total operating costs	\$ 12,169,661	\$ 12,163,157	\$ 12,789,077	\$ (625,920)
Total education	\$ 56,699,289	\$ 56,820,657	\$ 54,589,691	\$ 2,230,966
Debt service:				
Principal retirement	\$ 336,201	\$ 336,201	\$ 305,415	\$ 30,786
Interest and other fiscal charges	-	-	13,947	(13,947)
Total debt service	\$ 336,201	\$ 336,201	\$ 319,362	\$ 16,839
Total School Operating Fund	\$ 57,035,490	\$ 57,156,858	\$ 54,909,053	\$ 2,247,805
Total Discretely Presented Component Unit - School Board	\$ 57,035,490	\$ 57,156,858	\$ 54,909,053	\$ 2,247,805

Note: Appropriations to the School Board are enforced at the fund level only.

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## STATISTICAL SECTION

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## Statistical Section

The statistical section of the County's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the County's overall financial health. This information has not been audited by the independent auditor.

### Contents

### Tables

#### Financial Trends

These tables contain trend information to help the reader understand how the the County's financial performance and well-being have changed over time.

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#### Revenue Capacity

These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.

7 - 10

#### Debt Capacity

These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.

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#### Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

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#### Operating Information

These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relate to the services the County provides and the activities it performs.

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*Sources:* Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

Table 1

**COUNTY OF BOTETOURT, VIRGINIA**  
Net Position by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental activities</b>										
Net investment in capital assets	\$ 34,195,468	\$ 34,962,435	\$ 35,235,486	\$ 35,731,696	\$ 37,238,281	\$ 37,094,464	\$ 38,247,104	\$ 34,392,020	\$ 36,914,554	\$ 39,027,489
Restricted	184,574	198,529	186,710	187,390	285,943	249,392	276,250	122,663	430,509	593,603
Unrestricted	9,116,696	10,975,733	10,617,666	14,637,371	13,957,491	13,655,336	12,502,865	13,976,126	10,298,650	16,050,665
<b>Total governmental activities net position</b>	<b>\$ 43,496,738</b>	<b>\$ 46,136,697</b>	<b>\$ 46,039,862</b>	<b>\$ 50,556,457</b>	<b>\$ 51,481,715</b>	<b>\$ 50,999,192</b>	<b>\$ 51,026,219</b>	<b>\$ 48,490,809</b>	<b>\$ 47,643,713</b>	<b>\$ 55,671,757</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 9,954,091	\$ 10,019,461	\$ 10,215,268	\$ 10,091,246	\$ 10,222,456	\$ 10,039,266	\$ -	\$ -	\$ -	\$ -
Unrestricted	2,354,249	2,511,990	2,615,419	3,520,581	3,773,638	1,044,299	-	-	-	-
<b>Total business-type activities net position</b>	<b>\$ 12,308,340</b>	<b>\$ 12,531,451</b>	<b>\$ 12,830,687</b>	<b>\$ 13,611,827</b>	<b>\$ 13,996,094</b>	<b>\$ 11,083,565</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 44,149,559	\$ 44,981,896	\$ 45,450,754	\$ 45,822,942	\$ 47,460,737	\$ 47,133,730	\$ 38,247,104	\$ 34,392,020	\$ 36,914,554	\$ 39,027,489
Restricted	184,574	198,529	186,710	187,390	285,943	249,392	276,250	122,663	430,509	593,603
Unrestricted	11,470,945	13,487,723	13,233,085	18,157,952	17,731,129	14,699,635	12,502,865	13,976,126	10,298,650	16,050,665
<b>Total primary government net position</b>	<b>\$ 55,805,078</b>	<b>\$ 58,668,148</b>	<b>\$ 58,870,549</b>	<b>\$ 64,168,284</b>	<b>\$ 65,477,809</b>	<b>\$ 62,082,757</b>	<b>\$ 51,026,219</b>	<b>\$ 48,490,809</b>	<b>\$ 47,643,713</b>	<b>\$ 55,671,757</b>

Source: County financial reports

COUNTY OF BOTETOURT, VIRGINIA  
Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenses</b>										
Governmental activities:										
General government administration	\$ 3,330,864	\$ 3,017,197	\$ 3,009,226	\$ 2,932,750	\$ 3,258,654	\$ 3,352,349	\$ 3,568,952	\$ 3,262,899	\$ 3,271,312	\$ 3,850,532
Judicial administration	1,289,818	1,251,798	1,284,630	1,317,267	1,421,543	1,359,135	1,375,872	1,447,717	1,387,205	1,433,388
Public safety	12,060,957	11,119,800	12,689,537	12,734,181	14,178,649	13,795,657	14,128,003	15,488,178	14,814,140	15,568,648
Public works	1,026,920	1,902,510	1,709,623	2,230,035	2,010,971	1,937,224	2,120,535	3,037,534	1,844,947	2,105,297
Health and welfare	3,717,605	3,572,226	3,427,728	3,249,941	3,415,997	3,343,542	3,518,667	3,670,109	3,521,856	3,612,811
Education	20,616,634	22,116,884	21,703,533	22,291,399	22,911,062	23,089,557	24,384,045	28,951,576	29,253,247	25,471,753
Parks, recreation and cultural	3,120,867	3,266,210	3,193,686	2,980,612	3,194,559	3,167,746	3,586,367	2,907,748	2,850,232	3,045,560
Community development	672,942	581,692	533,841	307,960	246,185	1,042,460	3,449,920	5,287,420	2,432,431	3,926,147
Interest on long-term debt	1,978,620	1,763,356	1,805,765	1,595,978	1,509,639	1,230,403	1,134,705	1,039,664	1,571,127	1,881,932
Total governmental activities expenses	\$ 47,815,227	\$ 48,591,673	\$ 49,357,569	\$ 49,640,123	\$ 52,147,259	\$ 52,318,073	\$ 57,267,066	\$ 65,092,845	\$ 60,946,497	\$ 60,896,068
Business-type activities:										
Water										
	\$ 2,822,893	\$ 2,616,243	\$ 2,664,729	\$ 2,819,888	\$ 2,883,325	\$ 2,789,595	\$ -	\$ -	\$ -	\$ -
Total primary government expenses	\$ 50,638,120	\$ 51,207,916	\$ 52,022,298	\$ 52,460,011	\$ 55,030,584	\$ 55,107,668	\$ 57,267,066	\$ 65,092,845	\$ 60,946,497	\$ 60,896,068
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government administration	\$ 492	\$ 1,148	\$ 308	\$ 1,154	\$ 600	\$ 736	\$ 131,950	\$ 68,472	\$ 84,938	\$ 91,880
Judicial administration	154,962	183,408	223,594	240,931	276,141	263,000	217,156	180,704	126,667	115,017
Public safety	462,721	396,503	395,365	479,049	550,788	591,880	623,338	547,878	592,072	864,333
Public works	168,841	174,421	141,865	155,792	162,979	163,934	171,249	184,054	200,839	222,436
Parks, recreation and cultural	164,399	163,473	183,585	165,958	183,661	186,413	167,683	160,335	150,661	180,721
Operating grants and contributions	6,843,667	6,943,118	6,848,849	6,565,401	6,753,916	6,788,151	8,642,874	10,392,900	6,904,529	8,129,008
Total governmental activities program revenues	\$ 7,795,082	\$ 7,862,071	\$ 7,793,566	\$ 7,608,285	\$ 7,928,085	\$ 7,994,114	\$ 9,954,250	\$ 11,534,343	\$ 8,059,706	\$ 9,603,395
Business-type activities:										
Charges for services:										
Water	\$ 2,971,193	\$ 2,826,574	\$ 3,019,701	\$ 3,577,258	\$ 3,270,261	\$ 3,001,021	\$ -	\$ -	\$ -	\$ -
Capital grants and contributions	25,000	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	\$ 2,996,193	\$ 2,826,574	\$ 3,019,701	\$ 3,577,258	\$ 3,270,261	\$ 3,001,021	\$ -	\$ -	\$ -	\$ -
Total primary government program revenues	\$ 10,791,275	\$ 10,688,645	\$ 10,813,267	\$ 11,185,543	\$ 11,198,346	\$ 10,995,135	\$ 9,954,250	\$ 11,534,343	\$ 8,059,706	\$ 9,603,395

**COUNTY OF BOTETOURT, VIRGINIA**  
Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Net (expense) / revenue</b>										
Governmental activities	\$ (40,020,145)	\$ (40,729,602)	\$ (41,564,003)	\$ (42,031,838)	\$ (44,219,174)	\$ (44,323,959)	\$ (47,312,816)	\$ (53,558,502)	\$ (52,886,791)	\$ (51,292,673)
Business-type activities	173,300	210,331	354,972	757,370	386,936	211,426	-	-	-	-
<b>Total primary government net expense</b>	<b>\$ (39,846,845)</b>	<b>\$ (40,519,271)</b>	<b>\$ (41,209,031)</b>	<b>\$ (41,274,468)</b>	<b>\$ (43,832,238)</b>	<b>\$ (44,112,533)</b>	<b>\$ (47,312,816)</b>	<b>\$ (53,558,502)</b>	<b>\$ (52,886,791)</b>	<b>\$ (51,292,673)</b>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 28,295,560	\$ 30,227,710	\$ 29,822,572	\$ 33,065,115	\$ 33,063,716	\$ 33,933,251	\$ 34,668,727	\$ 38,120,606	\$ 39,698,191	\$ 40,970,422
Local sales and use taxes	1,873,975	2,028,548	2,164,312	2,226,360	2,514,913	2,677,918	2,900,954	2,835,846	2,744,051	3,034,992
Taxes on recordation and wills	285,530	263,973	256,065	310,308	269,869	263,879	305,433	381,730	352,757	397,587
Motor vehicle licenses taxes	627,860	632,926	647,083	647,951	661,412	668,174	657,801	666,327	653,037	674,493
Consumers' utility taxes	694,260	699,959	695,430	702,303	710,204	712,242	709,924	714,794	572,118	574,527
Business licenses taxes	779,757	745,256	829,929	875,526	840,808	823,543	851,925	813,572	910,399	947,815
Other local taxes	1,537,984	1,703,421	1,689,951	1,689,435	1,821,605	1,804,665	1,918,323	2,021,210	2,302,760	2,469,760
Unrestricted grants and contributions	4,652,598	4,509,921	4,619,808	4,663,034	4,653,193	4,636,128	4,655,097	4,647,481	4,695,818	4,673,792
Unrestricted revenues from use of money and property	660,250	602,854	647,477	571,498	369,202	477,777	425,030	584,924	959,680	1,787,364
Miscellaneous	366,878	1,948,711	235,015	217,703	221,521	195,928	236,630	236,602	185,589	729,999
Gain (loss) on disposal of capital assets	-	-	-	1,582,755	-	-	-	-	-	-
Special item - Gain on transfer of landfill rights	-	-	-	-	-	-	-	-	-	3,059,966
Transfers	-	6,282	7,657	(3,555)	17,989	2,975,826	9,999	-	-	-
<b>Total governmental activities</b>	<b>\$ 39,774,652</b>	<b>\$ 43,369,561</b>	<b>\$ 41,615,299</b>	<b>\$ 46,548,433</b>	<b>\$ 45,144,432</b>	<b>\$ 49,169,331</b>	<b>\$ 47,339,843</b>	<b>\$ 51,023,092</b>	<b>\$ 53,074,400</b>	<b>\$ 59,320,717</b>
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 9,822	\$ 19,062	\$ 26,128	\$ 20,215	\$ 15,320	\$ 14,303	\$ -	\$ -	\$ -	\$ -
Special item - Loss on transfer of operations	-	-	-	-	-	-	(11,073,566)	-	-	-
Transfers	-	(6,282)	(7,657)	3,555	(17,989)	(2,975,826)	(9,999)	-	-	-
<b>Total business-type activities</b>	<b>\$ 9,822</b>	<b>\$ 12,780</b>	<b>\$ 18,471</b>	<b>\$ 23,770</b>	<b>\$ (2,669)</b>	<b>\$ (2,961,523)</b>	<b>\$ (11,083,565)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total primary government</b>	<b>\$ 39,784,474</b>	<b>\$ 43,382,341</b>	<b>\$ 41,633,770</b>	<b>\$ 46,572,203</b>	<b>\$ 45,141,763</b>	<b>\$ 46,207,808</b>	<b>\$ 36,256,278</b>	<b>\$ 51,023,092</b>	<b>\$ 53,074,400</b>	<b>\$ 59,320,717</b>
<b>Change in Net Position</b>										
Governmental activities	\$ (245,493)	\$ 2,639,959	\$ 51,296	\$ 4,516,595	\$ 925,258	\$ 4,845,372	\$ 27,027	\$ (2,535,410)	\$ 187,609	\$ 8,028,044
Business-type activities	183,122	223,111	373,443	781,140	384,267	(2,750,097)	(11,083,565)	-	-	-
<b>Total primary government</b>	<b>\$ (62,371)</b>	<b>\$ 2,863,070</b>	<b>\$ 424,739</b>	<b>\$ 5,297,735</b>	<b>\$ 1,309,525</b>	<b>\$ 2,095,275</b>	<b>\$ (11,056,538)</b>	<b>\$ (2,535,410)</b>	<b>\$ 187,609</b>	<b>\$ 8,028,044</b>

Source: County financial reports

Table 3

**COUNTY OF BOTETOURT, VIRGINIA**  
 Governmental Activities Tax Revenues by Source  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumers' Utility Tax	Motor			Record- ation and Wills Tax	Business License Tax	Restaurant Food Tax	Other		Total
				Vehicle License Tax						Local Taxes		
2019	\$ 40,970,422	\$ 3,034,992	\$ 574,527	\$ 674,493	\$ 397,587	\$ 947,815	\$ 1,529,324	\$ 940,436	\$			\$ 49,069,596
2018	39,698,191	2,744,051	572,118	653,037	352,757	910,399	1,431,301	871,459				47,233,313
2017	38,120,606	2,835,846	714,794	666,327	381,730	813,572	1,302,205	719,005				45,554,085
2016	34,668,727	2,900,954	709,924	657,801	305,433	851,925	1,294,246	624,077				42,013,087
2015	33,933,251	2,677,918	712,242	668,174	263,879	823,543	1,244,855	559,810				40,883,672
2014	33,063,716	2,514,913	710,204	661,412	269,869	840,808	1,209,735	611,870				39,882,527
2013	33,065,115	2,226,360	702,303	647,951	310,308	875,526	1,135,809	553,626				39,516,998
2012	29,822,572	2,164,312	695,430	647,083	256,065	829,929	1,142,513	547,438				36,105,342
2011	30,227,710	2,028,548	699,959	632,926	263,973	745,256	1,093,240	610,181				36,301,793
2010	28,295,560	1,873,975	694,260	627,860	285,530	779,757	1,066,328	471,656				34,094,926

Source: County financial reports

Note: The motor vehicle license tax was not collected in FY08, as the County eliminated vehicle decals. The tax will be a fee collected with the personal property taxes due each December.



Table 4

COUNTY OF BOTETOURT, VIRGINIA  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General fund										
Reserved/Restricted	\$ 266,406	\$ 198,529	\$ 186,710	\$ 187,390	\$ 285,943	\$ 775,696	\$ 276,250	\$ 122,663	\$ 23,005,779	\$ 21,785,746
Assigned/Committed	-	-	-	1,643,315	992,671	1,300,957	-	-	-	800,000
Unreserved/Unassigned	14,054,127	15,900,561	15,545,586	18,164,705	18,289,310	22,478,701	21,862,769	22,988,746	25,517,069	26,793,545
Non-spendable	-	117,761	121,510	255,005	227,218	251,649	235,716	147,063	1,317,058	676,031
Total general fund	\$ 14,320,533	\$ 16,216,851	\$ 15,853,806	\$ 20,250,415	\$ 19,795,142	\$ 24,807,003	\$ 22,374,735	\$ 23,258,472	\$ 49,839,906	\$ 50,055,322

Note: The County implemented GASB 54 during the fiscal year ending June 30, 2011. As such, fund balance classifications have changed to include amounts that are restricted assigned, and nonspendable as reported above for years ending on June 30, 2011 and thereafter.

Source: County financial reports

Table 5

**COUNTY OF BOTETOURT, VIRGINIA**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
General property taxes	\$ 28,265,340	\$ 30,156,224	\$ 29,814,950	\$ 33,052,057	\$ 33,167,127	\$ 34,032,340	\$ 34,656,986	\$ 38,014,898	\$ 39,686,234	\$ 40,967,373
Other local taxes	5,799,366	6,074,083	6,282,770	6,451,883	6,818,811	6,950,421	7,344,360	7,433,479	7,535,122	8,099,174
Permits, privilege fees and regulatory licenses	259,962	216,496	174,240	237,446	245,505	245,046	384,983	384,983	475,519	525,329
Fines and forfeitures	91,435	115,006	154,048	132,627	139,238	141,023	105,481	112,769	77,064	64,213
Revenue from use of money and property	660,250	602,854	647,477	571,498	369,202	477,777	425,030	584,924	959,680	1,787,364
Charges for services	600,018	587,451	616,429	672,811	789,426	752,571	707,849	643,691	602,594	884,845
Miscellaneous	366,878	1,948,711	235,015	217,703	221,521	195,928	236,630	236,602	185,589	729,999
Recovered costs	1,465,804	1,383,273	1,657,121	1,396,735	1,391,628	1,563,432	1,546,004	1,813,036	2,072,357	2,128,298
Intergovernmental:										
Commonwealth	10,278,579	10,151,813	9,961,769	9,854,658	10,229,724	10,507,516	12,355,099	14,118,464	10,568,246	11,722,009
Federal	1,217,686	1,301,226	1,506,888	1,373,777	1,177,385	916,763	942,872	921,917	1,032,101	1,080,791
Total revenues	\$ 49,005,318	\$ 52,537,137	\$ 51,050,707	\$ 53,961,195	\$ 54,549,567	\$ 55,850,140	\$ 58,818,357	\$ 64,264,763	\$ 63,194,506	\$ 67,989,395
<b>Expenditures</b>										
General government administration	\$ 3,217,633	\$ 2,946,149	\$ 3,163,761	\$ 2,865,931	\$ 3,443,109	\$ 3,630,519	\$ 3,877,689	\$ 3,430,318	\$ 3,489,398	\$ 3,913,231
Judicial administration	1,276,576	1,224,399	1,277,824	1,308,558	1,419,922	1,418,447	1,436,618	1,508,125	1,426,771	1,516,370
Public safety	12,621,652	11,570,131	13,447,745	13,406,454	15,094,607	14,972,418	15,911,380	16,283,139	15,758,959	17,961,187
Public works	1,729,418	1,670,355	1,727,239	1,666,210	1,739,422	1,735,611	1,855,518	1,995,355	1,714,161	1,563,162
Health and welfare	3,770,875	3,639,024	3,471,988	3,293,613	3,458,579	3,461,038	3,606,886	3,739,064	3,546,407	3,752,760
Education	19,021,824	20,401,136	20,577,954	21,165,820	21,785,483	21,963,977	23,258,465	24,052,579	23,922,434	24,607,991
Parks, recreation and cultural	2,972,332	2,850,141	2,908,001	2,687,058	3,030,846	2,963,364	3,456,445	2,690,490	2,630,626	2,843,713
Community development	625,127	600,861	289,055	304,429	242,770	211,088	3,417,586	5,274,461	2,043,143	3,958,438
Capital projects	1,014,166	1,016,336	261,819	92,247	776,212	122,404	594,223	1,035,549	8,712,817	2,948,598
Debt service										
Principal	2,798,024	2,784,220	2,838,515	2,787,190	2,881,768	3,055,330	2,587,313	2,150,758	2,199,943	2,789,648
Bond issuance cost	-	31,266	-	-	-	108,500	-	-	261,812	-
Interest and other fiscal charges	2,061,502	1,972,381	1,799,409	1,688,774	1,596,483	1,243,450	1,311,631	1,218,669	1,152,285	1,918,881
Total expenditures	\$ 51,109,129	\$ 50,706,399	\$ 51,763,310	\$ 51,266,284	\$ 55,469,201	\$ 54,886,146	\$ 61,313,754	\$ 63,378,507	\$ 66,858,756	\$ 67,773,979
Excess (deficiency) of revenues over (under) expenditures	\$ (2,103,811)	\$ 1,830,738	\$ (712,603)	\$ 2,694,911	\$ (919,634)	\$ 963,994	\$ (2,495,397)	\$ 886,256	\$ (3,664,250)	\$ 215,416
<b>Other financing sources (uses)</b>										
Transfers in	\$ -	\$ 6,282	\$ 7,657	\$ -	\$ 17,989	\$ 3,175,826	\$ 9,999	\$ -	\$ -	\$ -
Transfers out	-	-	-	(3,555)	-	-	-	(2,519)	-	-
Proceeds from refunding bonds issued	-	2,074,298	-	-	-	14,985,611	-	-	-	-
Payments to refunded bonds escrow agent	-	(2,015,000)	-	-	-	(14,878,212)	-	-	-	-
Proceeds of general obligation bonds	-	-	-	-	446,372	-	-	-	-	-
Premium on general obligation bonds	-	-	-	-	-	-	-	-	28,965,329	-
Proceeds of capital lease	-	-	-	-	-	-	-	-	1,280,355	-
Sale of assets	-	-	-	-	-	526,304	53,130	-	-	-
Total other financing sources (uses)	\$ -	\$ 65,580	\$ 349,558	\$ 1,705,253	\$ 464,361	\$ 4,047,867	\$ 63,129	\$ (2,519)	\$ 30,245,684	\$ -
Net change in fund balances	\$ (2,103,811)	\$ 1,896,318	\$ (363,045)	\$ 4,396,609	\$ (455,273)	\$ 5,011,861	\$ (2,432,268)	\$ 883,737	\$ 26,581,434	\$ 215,416
Debt service as a percentage of noncapital expenditures	9.70%	9.57%	9.15%	8.88%	8.40%	8.00%	6.61%	5.41%	5.39%	7.42%

Source: County financial reports

Table 6

**COUNTY OF BOTETOURT, VIRGINIA**  
 General Governmental Tax Revenues by Source  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumers' Utility Tax	Motor		Record- ation and Wills Tax	Business License Tax	Other		Total
				Vehicle License Tax				Local Taxes		
2019	\$ 40,967,373	\$ 3,034,992	\$ 574,527	\$ 674,493	\$	\$ 397,587	\$ 947,815	\$	2,469,760	\$ 49,066,547
2018	39,686,234	2,744,051	572,118	653,037		352,757	910,399		2,302,760	47,221,356
2017	38,014,898	2,835,846	568,681	666,327		381,730	813,572		2,167,323	45,448,377
2016	34,656,986	2,900,954	565,368	657,801		305,433	851,925		2,062,879	42,001,346
2015	34,032,340	2,677,918	562,325	668,174		263,879	823,543		1,954,582	40,982,761
2014	33,167,127	2,514,913	558,366	661,412		269,869	840,808		1,973,443	39,985,938
2013	33,052,057	2,226,360	702,303	647,951		310,308	875,526		1,689,435	39,503,940
2012	29,814,950	2,164,312	695,430	647,083		256,065	829,929		1,689,951	36,097,720
2011	30,156,224	2,028,548	699,959	632,926		263,973	745,256		1,703,421	36,230,307
2010	28,265,340	1,873,975	694,260	627,860		285,530	779,757		1,537,984	34,064,706

Note: The motor vehicle license tax was not collected in FY08, as the County eliminated vehicle decals. The tax will be a fee collected with the personal property taxes due each December.

Source: County financial reports

Table 7

**COUNTY OF BOTETOURT, VIRGINIA**  
Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Public Service	Total Direct Tax Rate	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2019	\$ 3,383,680,365	\$ 373,024,564	\$ 6,269,452	\$ 214,817,351	n/a	\$ 421,609,952	1.002	\$ 4,399,401,684	\$ 4,399,401,684	100.00%
2018	3,341,675,855	353,464,762	5,956,583	206,025,238	n/a	377,553,798	0.997	4,284,676,236	4,284,676,236	100.00%
2017	3,351,117,360	351,925,121	6,090,836	192,175,546	n/a	285,856,059	0.998	4,187,164,922	4,187,164,922	100.00%
2016	3,307,696,135	332,372,947	6,992,559	191,005,313	n/a	246,481,530	0.926	4,084,548,484	4,084,548,484	100.00%
2015	3,287,828,902	318,709,760	7,060,247	186,676,796	n/a	220,905,260	0.922	4,021,180,965	4,021,180,965	100.00%
2014	3,257,599,002	314,360,176	7,134,407	175,191,835	n/a	218,475,707	0.919	3,972,761,127	3,972,761,127	100.00%
2013	3,242,699,650	311,958,061	6,950,130	182,418,399	n/a	208,049,845	0.921	3,952,076,085	3,952,076,085	100.00%
2012	3,218,025,862	310,059,737	6,997,205	173,908,916	n/a	194,395,467	0.870	3,903,387,187	3,903,387,187	100.00%
2011	3,235,788,546	300,246,831	7,491,117	194,707,052	n/a	198,118,207	0.852	3,936,351,753	3,936,351,753	100.00%
2010	2,988,312,115	283,659,315	7,399,339	193,749,235	n/a	174,383,239	0.859	3,647,503,243	3,647,503,243	100.00%

Source: Commissioner of Revenue  
Tax rate is per \$100 of assessed value.

Table 8

**COUNTY OF BOTETOURT, VIRGINIA**  
**Property Tax Rates (1)**  
**Direct and Overlapping Governments**  
**Last Ten Fiscal Years**

Fiscal Years	Direct Rates							Overlapping Rates	
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Total Direct Tax Rate	Real Estate	Personal Property	
	Town of Buchanan								
2019 \$	0.79	\$ 2.71	\$ 0.79	1.80	n/a	\$ 1.002	0.19	\$ 0.32	
2018	0.79	2.71	0.79	1.80	n/a	0.997	0.19	\$ 0.32	
2017	0.79	2.71	0.79	1.80	n/a	0.998	0.19	0.32	
2016	0.72	2.63	0.72	1.80	n/a	0.926	0.19	0.32	
2015	0.72	2.63	0.72	1.80	n/a	0.922	0.19	0.32	
2014	0.72	2.63	0.72	1.80	n/a	0.919	0.19	0.32	
2013	0.72	2.63	0.72	1.80	n/a	0.921	0.19	0.32	
2012	0.65	2.55	0.65	1.80	n/a	0.870	0.19	0.32	
2011	0.65	2.55	0.65	1.80	n/a	0.852	0.19	0.32	
2010	0.65	2.55	0.65	1.80	n/a	0.859	0.19	0.32	

Source: Commissioner of the Revenue

(1) Per \$100 of assessed value

Total Direct Tax Rate is for County only; information to develop direct rate inclusive of Town was not readily available.

Table 9

**COUNTY OF BOTETOURT, VIRGINIA**  
Principal Property Taxpayers  
Current Year and the Period Nine Years Prior  
(dollars in millions)

Taxpayer	Type Business	Fiscal Year 2019		Fiscal Year 2010	
		2018 Assessed Valuation	% of Total Assessed Valuation	2009 Assessed Valuation	% of Total Assessed Valuation
American Electric Power	Utility	\$ 288.2	6.55%	\$ 72.0	1.97%
Roanoke Cement	Manufacturing	108.0	2.45%	99.0	2.71%
Dynax America Corporation	Manufacturing	57.9	1.31%	32.2	0.88%
Metalsa Roanoke	Manufacturing	53.5	1.22%	50.5	1.38%
Ballast Point	Brewing Company	36.2	0.82%	-	0.00%
Lumos Network / Telephone	Communications	28.0	0.64%	20.0	0.55%
New River Electrical	Construction	25.3	0.58%	7.0	0.19%
Roanoke Gas	Utility	23.4	0.53%	13.7	0.38%
Altec Industries	Manufacturing	23.0	0.52%	12.8	0.35%
CSX Transportation	Railroad	22.8	0.52%	12.9	0.35%
	Totals	\$ 666.3	15.14%	\$ 320.1	8.76%

Source: Commissioner of Revenue

Table 10

**COUNTY OF BOTETOURT, VIRGINIA**  
Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year Ending June 30	Total Tax Levy for Fiscal Year(1)	Collected within the			Total Collections to Date	
		Fiscal Year of the Levy	Amount Collected	Percentage of Levy	Amount Collected	Percentage of Levy
2019	\$ 40,249,540	\$	39,741,256	98.74%	\$ 39,741,256	98.737%
2018	38,992,031		38,608,350	99.02%	38,878,103	99.708%
2017	37,676,033		36,987,684	98.17%	37,363,691	99.171%
2016	34,092,016		33,612,597	98.59%	33,986,863	99.692%
2015	33,388,597		32,921,494	98.60%	33,306,835	99.755%
2014	32,788,936		32,281,609	98.45%	32,744,597	99.865%
2013	32,638,807		32,057,003	98.22%	32,628,614	99.969%
2012	29,470,010		28,899,357	98.06%	29,385,899	99.715%
2011	29,724,409		29,247,069	98.39%	29,723,540	99.997%
2010	27,905,859		27,450,908	98.37%	27,905,248	99.998%

(1) Levy and collections include amounts due under the State Personal Property Tax Relief Act.

Source of information: Commissioner of the Revenue's assessment records and the Treasurer's collections records.

Table 11

**COUNTY OF BOTETOURT, VIRGINIA**  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Years	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)		
	General		Literary Fund Loans	Other		Revenue Bonds	Capital Leases	Revenue Bonds	Capital Leases						
	Obligation			Notes/ Bonds											
	Bonds														
2019	\$	51,145,429	\$	857,720	\$	-	\$	121,359	\$	-	\$	52,124,508	3.26%	\$	1,566
2018		53,471,360		1,509,650		-		239,315		-		55,220,325	3.54%		1,656
2017		24,845,517		2,161,580		-		353,964		-		27,361,061	1.76%		825
2016		26,423,079		2,813,510		-		465,397		-		29,701,986	1.90%		887
2015		28,432,950		3,465,440		-		526,304		-		41,373,836	2.65%		1,234
2014		29,907,498		4,117,370		-		-		-		43,176,891	2.85%		1,292
2013		31,735,140		4,769,300		-		-		-		45,631,107	3.02%		1,371
2012		33,914,576		5,421,230		-		-		-		47,156,317	3.23%		1,412
2011		36,145,337		6,073,160		-		-		-		49,958,152	3.69%		1,504
2010		38,219,274		6,768,321		-		-		-		52,645,235	3.91%		1,588

Source: County financial reports

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics - Table 16



Table 12

**COUNTY OF BOTETOURT, VIRGINIA**  
 Ratio of Net General Bonded Debt to  
 Assessed Value and Net Bonded Debt Per Capita  
 Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation		Net Bonded Debt per Capita (1)
				Debt to Assessed Value (2)	Debt to Assessed Value (2)	
2019	\$ 52,003,149	\$ -	\$ 52,003,149	1.18%	\$ 1,562	
2018	54,981,010	-	54,981,010	1.28%	1,649	
2017	27,007,097	-	27,007,097	0.64%	814	
2016	29,236,589	-	29,236,589	0.72%	873	
2015	31,898,390	-	31,898,390	0.79%	952	
2014	34,024,868	-	34,024,868	0.86%	1,018	
2013	36,504,440	-	36,504,440	0.92%	1,096	
2012	39,335,806	-	39,335,806	1.01%	1,178	
2011	42,218,497	-	42,218,497	1.07%	1,271	
2010	44,987,595	-	44,987,595	1.23%	1,357	

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 16

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7

(3) Includes all long-term general obligation bonded debt, Literary Fund Loans, excludes revenue bonds, capital leases, and compensated absences. Bond indebtedness includes debt to be repaid with general government resources.

Source: County financial reports

Table 13

**COUNTY OF BOTETOURT, VIRGINIA**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2019**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with taxes: Town of Troutville	\$ 275,701	100%	\$ 275,701
Subtotal, overlapping debt			<u>\$ 275,701</u>
County of Botetourt, direct debt			\$ 52,124,508
Total direct and overlapping debt			<u>\$ 52,400,209</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the County. This table estimates the portion of the outstanding debt of those overlapping government's that is borne by the residents and businesses of the County of Botetourt. This process recognizes that, when considering the County's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the Town's taxable assessed value that is within the government's boundaries and dividing it by the Town's total taxable assessed value.

Source: Financial reports of Towns within the County.

Table 14

**COUNTY OF BOTETOURT, VIRGINIA**  
Pledged-Revenue Coverage  
Last Ten Fiscal Years

Fiscal Year	Water/Sewer Revenue Bonds					Special Assessment Bonds			
	Water/ Sewer Charges and Other(1)	Less: Operating Expenses	Net Available Revenue	Debt Service		Special Assessment Collections	Principal	Interest	Coverage
				Principal	Interest				
2019	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2018	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2017	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2016	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2015 \$	3,015,324 \$	1,559,272 \$	1,456,052 \$	675,725 \$	290,208	n/a	n/a	n/a	n/a
2014	6,812,390	1,774,092	5,038,298	604,659	327,591	n/a	n/a	n/a	n/a
2013	7,136,660	1,736,393	5,400,267	527,590	268,949	n/a	n/a	n/a	n/a
2012	5,590,913	1,595,354	3,995,559	498,158	284,171	n/a	n/a	n/a	n/a
2011	5,647,072	1,546,418	4,100,654	478,632	288,574	n/a	n/a	n/a	n/a
2010	5,038,229	1,749,040	3,289,189	464,429	295,806	n/a	n/a	n/a	n/a

Note: The County has had no special assessment bonds activity during this period.

(1) Other includes cash and cash equivalents and contributions available for funding debt service.

Effective July 1, 2015, the County's water and sewer operations were transferred to the Western Virginia Water Authority; therefore, no activity occurs after this date.

Source: County financial reports

Table 15

**COUNTY OF BOTETOURT, VIRGINIA**  
Demographic and Economic Statistics  
Last Ten Fiscal Years

Fiscal Year	Personal		Per Capita		Median Age	School Enrollment	Unemploy- ment Rate
	Population	Income (thousands of dollars)	Personal Income	Personal Income			
2019	33,288	\$ 1,598,263	\$ 48,013	47.2	4,540	2.58%	
2018	33,350	1,559,046	46,748	46.9	4,548	3.10%	
2017	33,176	1,553,002	46,811	46.9	4,553	3.64%	
2016	33,486	1,508,712	45,055	44.9	4,675	3.70%	
2015	33,521	1,564,224	46,664	44.9	4,780	4.62%	
2014	33,423	1,514,730	45,320	44.9	4,777	5.07%	
2013	33,293	1,508,839	45,320	44.9	4,876	5.18%	
2012	33,399	1,460,238	43,721	44.9	4,984	5.57%	
2011	33,209	1,354,794	40,796	44.9	4,943	5.80%	
2010	33,148	1,348,030	40,667	44.9	4,977	6.40%	

Population Source: Weldon Cooper Center (most recent year not available; estimate used)

Income Source: U.S. Bureau of Economic Analysis (most recent year not available)

Median Age figures are estimates using year 2010 (provided by U.S. Census Bureau) as benchmark

School enrollment is derived from March ADM (Average Daily Membership) figures

Unemployment Rate Source: Virginia Employment Commission

Table 16

**COUNTY OF BOTETOURT, VIRGINIA**  
Principal Employers  
Current Year and Nine Years Ago

	Fiscal Year 2019			Fiscal Year 2010		
	Rank	Ownership	Number of Employees	Rank	Ownership	Number of Employees
Altec Industries	1	Private	500-999	4	Private	100-249
Botetourt County Public Schools	2	Local Government	500-999	1	Local Government	500-999
Dynax America Corporation	3	Private	500-999	3	Private	250-499
County of Botetourt	4	Local Government	250-499	2	Local Government	250-499
Lawrence Transportation System	5	Private	250-499	6	Private	100-249
Metalsa Roanoke	6	Private	100-249	8	Private	100-249
Arkay Packaging	7	Private	100-249	13	Private	100-249
Workforce Unlimited	8	Private	100-249	-	-	-
Virginia Truck Center	9	Private	100-249	12	Private	100-249
Gala Industries	10	Private	100-249	9	Private	100-249
The Glebe Inc. Dip	11	Private	100-249	10	Private	100-249
Roanoke Cement Company LLC	12	Private	100-249	7	Private	100-249
Eldor Automotive Powertrain USA	13	Private	100-249	-	-	-
Cracker Barrel Old Country Store	14	Private	100-249	14	Private	100-249
Kroger	15	Private	100-249	16	Private	100-249
Kissito Healthcare	16	Private	100-249	-	-	-
Food Lion	17	Private	100-249	-	-	-
The Pepsco Bottling Group	18	Private	100-249	15	Private	100-249
Kirby Vass Insulation	19	Private	50-99	17	Private	100-249
Carrington Place Botetourt	20	Private	50-99	18	Private	100-249
Koyo Steering Systems, Inc.	-	-	-	5	Private	100-249
Lanford Brothers Company	-	-	-	11	Private	100-249
Howell's Motor Freight	-	-	-	19	Private	50-99
Tread Corporation	-	-	-	20	Private	50-99

Source: Virginia Employment Commission

Table 17

**COUNTY OF BOTETOURT, VIRGINIA**  
Full-time Equivalent County Government Employees by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General government administration</b>	31	31	30	29	30	31	31	31	31	32
<b>Judicial administration</b>	17	16	17	17	17	17	17	17	17	17
<b>Public safety:</b>										
Sheriffs department	108	109	114	113	115	115	115	116	117	117
Fire & rescue	17	25	29	30	34	34	34	40	43	43
Inspections (Development Services)	4	4	8	9	8	9	10	10	11	12
Animal control	4	4	4	4	4	4	4	4	4	4
GIS / Communications	0	0	0	0	0	0	0	0	0	0
<b>Public works:</b>										
Utilities/General Services	11	11	12	12	11	11	4	4	2	1
General maintenance	7	7	7	7	7	7	7	7	7	8
Waste Management	4	4	4	4	4	4	4	4	4	4
Engineering	4	4	0	0	0	0	0	0	0	0
<b>Health and welfare:</b>										
Department of social services	16	14	16	15	17	19	20	21	21	21
Comprehensive Services	1	1	1	1	1	1	1	1	1	1
<b>Culture and recreation:</b>										
Parks and recreation	16	15	14	14	13	13	13	13	14	14
Library	14	14	14	13	13	13	13	13	13	13
Tourism / Marketing	1	1	1	1	2	2	2	2	2	3
<b>Community development:</b>										
Planning	4	3	0	0	0	0	0	0	0	0
<b>Totals</b>	<u>259</u>	<u>263</u>	<u>271</u>	<u>269</u>	<u>276</u>	<u>280</u>	<u>275</u>	<u>283</u>	<u>287</u>	<u>290</u>

Source: Individual county departments

Note: GIS employees have been reallocated to General Government, then Public Works.

Note: Engineering employees have been reallocated to Development Services and Utilities.

Note: Planning employees have been reallocated Development Services.

Table 18

**COUNTY OF BOTETOURT, VIRGINIA**  
Operating Indicators by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public safety										
Sheriffs department:										
Physical arrests	1,845	2,402	2,290	2,302	2,051	2,417	2,448	2,375	2,413	2,719
Traffic violations	2,698	3,232	2,951	2,560	3,180	3,199	2,742	2,865	3,349	5,435
Civil papers	7,187	6,955	6,813	6,750	6,335	6,494	6,398	6,761	6,858	7,335
Fire and rescue:										
Number of calls answered	4,615	4,057	4,730	4,719	4,618	4,396	4,633	4,783	4,860	5,236
Building inspections:										
Permits issued (same as Planning)	475	424	378	395	411	421	399	446	471	469
Animal control:										
Number of calls answered	6,082	6,035	6,100	5,210	4,790	5,543	5,878	5,051	5,398	4,616
Public works										
General maintenance:										
Trucks/vehicles	3	3	3	3	4	6	5	6	6	6
Landfill:										
Refuse collected (tons/day)	6.8	7.1	5.6	6.4	7.1	6.7	6.8	6.9	6.0	16.1
Recycling (tons/day)	9.7	9.5	8.3	10.3	10.7	10.0	10.9	9.3	7.8	8.4
Health and welfare										
Department of Social Services:										
Caseload	3,493	4,125	4,152	4,479	5,014	5,929	5,437	6,840	4,148	4,651
Culture and recreation										
Parks and recreation:										
Recreation permits issued	86	93	97	129	118	156	115	106	94	285
Youth sports participants	2,252	2,309	2,292	2,447	2,755	2,766	2,917	3,590	2,490	2,771
Community development										
Planning:										
Zoning permits issued	475	424	378	395	411	421	399	446	471	469
Component Unit - School Board										
Education:										
School age population (per census)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Number of teachers	405	405	414	408	398	393	399	390	388	385
Local expenditures per pupil	4,222	4,344	4,304	4,721	5,246	5,015	5,402	5,823	6,044	5,830

Source: Individual county departments. Prior year information provided to the extent available.

Note: Landfill - Increase in FY19 is due to County Waste assuming operation of the landfill and opening the landfill to their customers.

Note: Number of Youth sports participants was calculated using a new method compared to previous years and factored for figures used for 2010 to 2017.

Note: Increase in number of reported traffic violations for FY19 is due to implementation of a new Traffic Safety Program.

Note: Social Services caseload based on data from the Department of Social Services.

Table 19

**COUNTY OF BOTETOURT, VIRGINIA**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government administration										
Administration buildings	4	4	4	4	4	4	4	4	4	4
Vehicles	7	7	4	3	5	4	4	4	3	3
Public safety										
Sheriff's department:										
Patrol units	50	51	51	51	51	51	51	51	48	49
Other vehicles	15	16	15	16	18	18	21	22	22	22
Development Services / Building inspections:										
Vehicles	4	4	7	6	8	8	9	8	6	7
Animal control:										
Vehicles	4	4	4	4	4	4	4	4	4	4
Public works										
General maintenance:										
Trucks/vehicles	14	17	19	22	19	20	12	12	8	8
Landfill:										
Vehicles	8	6	6	6	6	6	6	6	6	6
Equipment	9	9	9	9	9	9	9	9	9	9
Sites	2	2	2	2	2	2	2	2	2	2
Health and welfare										
Department of Social Services: Vehicles	-	-	-	-	2	2	3	3	4	5
County Van Program - Vehicles	2	2	2	2	2	2	3	4	3	4
Culture and recreation										
Parks and recreation:										
Community centers	2	2	2	1	1	1	1	1	1	1
Vehicles - Parks & Recreation, Library	19	19	20	21	21	20	21	21	21	23
Parks acreage	158	158	158	158	158	158	158	158	158	158
Tennis courts	4	4	4	4	4	4	4	4	4	4
Community development										
Planning:										
Vehicles	1	2	-	-	-	-	-	-	-	-
Component Unit - School Board										
Education:										
Schools	12	12	12	12	13	13	13	13	13	13
School buses	93	94	96	95	94	95	96	98	97	96

Source: Individual county departments.

Beginning in FY12, Planning vehicles are combined into Development Services.

Note: Public Works - General maintenance vehicles includes Public Works, Utilities, and Maintenance.



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## COMPLIANCE SECTION

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Independent Auditors' Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

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The Honorable Members of the Board of Supervisors  
County of Botetourt, Virginia  
Fincastle, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Botetourt, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County of Botetourt, Virginia's basic financial statements, and have issued our report thereon dated November 19, 2019.

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Botetourt, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Botetourt, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Botetourt, Virginia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs item 2019-001 that we consider to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Botetourt, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## County of Botetourt, Virginia's Response to Findings

County of Botetourt, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Botetourt, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Robinson, Farmer, Cox Associates*

Blacksburg, Virginia  
November 19, 2019



**Independent Auditors' Report on Compliance For Each Major Program and on  
Internal Control over Compliance Required by the Uniform Guidance**

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The Honorable Members of the Board of Supervisors  
County of Botetourt, Virginia  
Fincastle, Virginia

**Report on Compliance for Each Major Federal Program**

We have audited the County of Botetourt, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Botetourt, Virginia's major federal programs for the year ended June 30, 2019. The County of Botetourt, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the County of Botetourt, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Botetourt, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County of Botetourt, Virginia's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the County of Botetourt, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## Report on Internal Control over Compliance

Management of the County of Botetourt, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Botetourt, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Botetourt, Virginia's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Robinson, Farmer, Cox Associates*

Blacksburg, Virginia  
November 19, 2019

County of Botetourt, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019

Page 1 of 2

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	
<b>DEPARTMENT OF AGRICULTURE:</b>				
Pass through payments from:				
<i>Department of Social Services:</i>				
SNAP Program Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010119/0040119/0050119	\$	166,747
<i>Department of Education:</i>				
Forest Service School And Roads Cluster:				
Schools and Roads - Grants to States	10.665	43841		52,134
Child Nutrition Cluster:				
School Breakfast Program	10.553	40591	\$	540,595
<i>State Department of Agriculture:</i>				
Food Distribution-Schools (Note C)	10.555	Unknown	\$	111,654
<i>Department of Education:</i>				
National School Lunch Program	10.555	40623	142,109	253,763
Total Child Nutrition Cluster				794,358
Total Department of Agriculture				\$ 1,013,239
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>				
Pass through payments from:				
<i>Department of Social Services:</i>				
Promoting Safe and Stable Families	93.556	0950118	\$	12,134
TANF Cluster:				
Temporary Assistance for Needy Families	93.558	0400119		128,900
Refugee and Entrant Assistance - State Administered Programs	93.566	0500119		75
Low Income Home Energy Assistance	93.568	0600419		21,218
Social Services Block Grant	93.667	1000119		103,742
Chafee Foster Care Independence Program	93.674	9150118		1,000
Children's Health Insurance Program	93.767	1200119		4,019
Medicaid Cluster:				
Medical Assistance Program	93.778	1200118		186,082
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900118		153
CCDF Cluster:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760119		22,708
Foster Care - Title IV E	93.658	1100119/1110119		82,936
Adoption Assistance	93.659	1120119		86,716
Child Support Enforcement	93.563	Unknown		3,800
Total Department of Health and Human Services				\$ 653,483
<b>DEPARTMENT OF HOMELAND SECURITY:</b>				
Pass through payments from:				
<i>Department of Emergency Management:</i>				
Emergency Management Performance Grants	97.042	158	\$	7,500
Total Department of Homeland Security			\$	7,500
<b>DEPARTMENT OF TRANSPORTATION:</b>				
Pass through payments from:				
<i>Department of Motor Vehicles:</i>				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	50326	\$	4,815
National Priority Safety Programs	20.616	Unknown		10,966
Total Highway Safety Cluster			\$	15,781
Total Department of Transportation			\$	15,781
<b>DEPARTMENT OF EDUCATION:</b>				
Pass through payments from:				
<i>City of Salem, Virginia:</i>				
Adult Education - Basic Grants to States	84.002	42801	\$	21,528

County of Botetourt, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019

Page 2 of 2

**DEPARTMENT OF EDUCATION: (Continued)**

Pass through payments from: (Continued)

*Virginia Tech:*

English Language Acquisition State Grants	84.365	Unknown	\$ 7,122	
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*Department of Education:*

English Language Acquisition State Grants	84.365	Unknown	101,051	108,173
Career and Technical Education -- Basic Grants to States	84.048	61095		52,511
Student Support and Academic Enrichment Program	84.424	Unknown		26,136
Title I Grants to Local Educational Agencies	84.010	42901		411,158
Special Education Cluster - IDEA:				
Special Education - Grants to States	84.027	73071	\$ 1,154,300	
Special Education - Preschool Grants	84.173	62521	19,809	
Total Special Education Cluster - IDEA				1,174,109
Total Department of Education				<u>\$ 1,793,615</u>

Total Expenditures of Federal Awards	<u><u>\$ 3,483,618</u></u>
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**Notes to Schedule of Expenditures of Federal Awards**

**Note A--Basis of Presentation:**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Botetourt, Virginia under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Botetourt, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Botetourt, Virginia.

**Note B--Summary of Significant Accounting Policies**

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

(2) Pass-through entity identifying number are presented where available.

(3) The County did not elect the 10% de minimus indirect cost rate because they only request direct costs for reimbursement.

**Note C--Food Distribution**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

**NOTE D--Subrecipients**

The County did not have any subrecipients for the year ended June 30, 2019.

**NOTE E--Outstanding Balance of Federal Loans**

The County has not received any federal funding through loans.

**Note F--Relationship to the Financial Statements:**

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

**Primary government:**

General Fund - Intergovernmental	\$ 12,802,800
Less: Revenue from the Commonwealth	(11,722,009)
Less: Payment in Lieu of Taxes	(237,280)

**Component Unit School Board:**

School Operating Fund - Intergovernmental	53,444,142
Less: Revenue from local governments	(24,565,851)
Less: Revenue from the Commonwealth	<u>(26,238,184)</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 3,483,618</u></u>
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County of Botetourt, Virginia  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

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Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section, 200.516 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster
10.553/10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No



County of Botetourt, Virginia  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019 (Continued)

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Section II - Financial Statement Findings

2019-001

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Criteria:	Per AU-C Section 265, identification of adjustments to the financial statements that were not detected by the entity's internal controls indicates that a material weakness may exist.
Condition:	The County's financial statements required year end adjusting entries by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles. While there were very few adjusting entries, some of those were material to the financial statements.
Cause of Condition:	The County had activity in the current year that was infrequent in nature and required the use of accounting standards not normally necessary in Botetourt County.
Effect of Condition:	There is a reasonable possibility that a misstatement of the entity's financial statements would not have been prevented or detected and corrected by the entity's internal controls over financial reporting.
Recommendation:	Overall, County staff does a good job of identifying year end entries. We recommend, the County develop a process to review the accounting treatment of new agreements with their consulting CPA.
Management's Response:	The County's current staff has a good understanding of the books and accounting processes; however, given the unique accounting treatment of certain transactions it is anticipated that County will begin a technical review of material contracts going forward.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

County of Botetourt, Virginia  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019 (Continued)

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Section IV - Status of Prior Audit Findings

2018-001

(Material Weakness)

(Noncompliance)

Condition:

The School Board initiated energy savings projects during the fiscal year with proceeds from debt totaling approximately \$6.5 million dollars. Funds received from the debt issuance were deposited into an investment account; however, the account was not turned over to the County Treasurer. In addition, appropriations were not approved by the Board of Supervisors prior to the expenditure of funds.

Recommendation:

In the future, funds of this nature should be established with the County Treasurer and appropriations should be sought for expenditures.

Current Status:

No similar findings were noted in the current year and the investment account was reported in the County's financial statements in the current year.